

## SECTION 2 – BRITISH AIRWAYS PROFILE

### OVERVIEW

British Airways is one of the world's largest international airlines, carrying in its last financial year to March 31, 2006 almost 36 million passengers worldwide. Also, one of the world's longest established airlines, it has always been regarded as an industry-leader.

The airline's two main operating bases are London's two principal airports, Heathrow (one of the world's biggest international airports) and Gatwick.

During 2005/06 revenue passenger kilometres for the Group rose by 3.7 per cent, against a capacity increase of 2.4 per cent (measured in available tonne kilometres). This resulted in Group passenger load factor of 75.6 per cent, up from 74.8 per cent the previous year.

In the same financial year, the airline also carried 795,000 tonnes of cargo.

In the early part of 2006/07, promotional activity drove seat factors across all cabins. Since August, tighter security arrangements have continued to impact Heathrow and traffic volumes are down. The market continues to show good demand for premium cabins but weakness across some longhaul non-premium segments.

British Airways Group fleet as at 31 December 2006 comprised 282 aircraft – one of the largest fleets in Europe. The fleet currently includes 57 Boeing 747s, 43 Boeing 777s, 21 Boeing 767s, 13 Boeing 757s, 66 Airbus A319/320/321s, 33 Boeing 737s and 49 smaller aircraft used in the company's regional business.

### ALLIANCES

The British Airways involvement in the **oneworld** alliance from the launch in February 1999 to the present time continues as the core of British Airways Alliance strategy. The Alliance is an important extension of the British Airways network, providing additional benefits to our customers around the world. British Airways joined with American Airlines, QANTAS, Canadian Airlines, and Cathay Pacific in offering a range of co-operative measures designed to provide a seamless world network. Iberia and Finnair joined in September 1999, and Aer Lingus and LAN Chile joined in June 2000. Canadian Airlines withdrew from the alliance in June 2000 following a merger with Air Canada. Aer Lingus have announced that they will be leaving **oneworld** in Spring 2007, as alliance membership is no longer appropriate to their business model as they move more towards a low cost approach. Royal Jordanian, Malev, and JAL are expected to join in Spring 2007.

On a bilateral basis, British Airways has co-operation agreements with all the **oneworld** airlines. British Airways and QANTAS operate together, under a Joint Service Agreement, sharing costs and revenues on services between Europe and Australia over Singapore, Bangkok and Hong Kong. In addition British Airways and Iberia maintain a Joint Business on services between Heathrow and Madrid/Barcelona.

A new bilateral relationship was established in Autumn 2006 with prospective **oneworld** member Malev.

British Airways has also franchised smaller carriers including GB Airways and British Mediterranean, to feed passengers on to the wider British Airways network. Taken together with its own extensive route network, these partnerships give British Airways a presence in all major world markets.

The airline's strategy for the future remains focussed on development of relationships within the **oneworld** alliance and its new members.

## LONDON HEATHROW SCHEDULED PASSENGER AIR TRANSPORT MOVEMENTS

For the year ended March 2006

Airline	(000s)	Air Transport Movements % of total
British Airways	193.6	40.9
BMI British Midland	54.6	11.5
Lufthansa	21.0	4.4
Aer Lingus	15.0	3.2
Scandinavian Airlines	13.9	2.9
Virgin Atlantic Airways	13.0	2.7
Iberia Airlines	10.9	2.3
American Airlines	10.8	2.3
United Airlines	8.1	1.7
Air Canada	8.1	1.7
<i>Other Airlines Total</i>	124.0	26.2
<b>Heathrow Total Scheduled Passenger ATMs</b>	<b>473.0</b>	<b>100</b>

Source: BAA plc

## LONDON GATWICK SCHEDULED PASSENGER AIR TRANSPORT MOVEMENTS

For the year ended March 2006

Airline	(000s)	Air Transport Movements % of total
British Airways *	74.4	29.3
easyJet Airlines	39.2	15.4
GB Airways	15.4	6.1
Thomson Fly Ltd	12.4	4.9
Monarch Airlines	10.1	4.0
First Choice Airways	8.9	3.5
Excel Airways	6.6	2.6
Ryanair	5.5	2.2
Continental Airlines	3.3	1.3
Delta Airlines	3.0	1.2
<i>Other Airlines Total</i>	75.3	30.0
<b>Gatwick Total Scheduled Passenger ATMs</b>	<b>254.0</b>	<b>100</b>

Source: BAA plc

Notes:

Both tables exclude cargo flights

Includes BA & BA Connect \*

## BRITISH AIRWAYS AWARDS 2006

During 2006 British Airways has received numerous awards, including:

AWARD	PRESENTED BY
Best Airline	Business Traveller Awards
Best First Class	Business Traveller Awards
Best Economy Class	Business Traveller Awards
Best Longhaul Airline	Business Traveller Awards
Best Shorthaul Airline	Business Traveller Awards
Best Frequent Flyer Campaign	Business Traveller Awards
Best First Class	Business Traveller Awards in Asia Pacific
Best European Airline	Business Traveller Awards in Asia Pacific
Best European Airline serving the Middle East	Business Traveller Awards in Asia Pacific
Airline with Best Economy Class	Business Traveller Awards in Asia Pacific
Best Airline for Business Class	Global Traveler Magazine Awards
Business Class Airline of the Year	Irish Travel Trade News Awards
Best Business Class to Europe/Trans-Atlantic	Best in Business Travel Awards USA
European Airline of the Year	Business Travel Weekly Awards
Best Scheduled European Airline	Travel Weekly Globe Awards 2006
Favourite Business Travel Airline	Business Travel Survey 2005/2006
Best Shorthaul Leisure Airline	Conde Nast Traveller
Airline of the Year 2006	World Airline Awards
Best Transatlantic Airline	Official Airline Guides Airline of the Year Awards
Best Airline in Western Europe	Official Airline Guides Airline of the Year Awards
World's Leading Airline	World Travel Awards
Europe's Leading First Class Airline	World Travel Awards
Global Airline Retailer of the Year	Raven Fox Awards
The World's Favourite Airline - best food and in-flight amenities	Trip Advisor
Best European Airline	The Danish Travel Awards
Global Vision Award – for Corporate initiative Community Relations	Travel & Leisure (USA)
Outstanding Contribution to UK IT	Computing Magazine
Marketing Effectiveness Award	Periodical Publishers Association
Best Internet Ad Campaign – Gold for Have you clicked yet?	Chartered Industry of Marketing Travel Industry Group Awards
Best Internet Ad Campaign – Silver for World Offers January 2006	Chartered Industry of Marketing Travel Industry Group Awards

## HISTORY

British Airways can trace its origins back to the birth of civil aviation, the pioneering days following World War I. On 25 August 1919, its forerunner company, Aircraft Transport and Travel Limited (AT&T), launched the world's first daily international scheduled air service between London and Paris. That initial flight, operated by a single-engined de Havilland DH4A biplane taking off from Hounslow Heath, near its successor company's current Heathrow base, carried a single passenger and cargo that included newspapers, Devonshire cream and grouse. It took two and a half hours to reach Le Bourget. Shortly afterwards, two more British companies started services to Paris, and to Brussels - Instone, the shipping group, and Handley Page, the aircraft manufacturer. These pioneer companies struggled against severe difficulties. Passengers were few, fares high, and air travel seldom less than an adventure. One pilot took two days for the two-hour flight to Paris, making 33 forced landings along the way. One by one, the fledgling companies ceased operations, undercut by heavily subsidised French and Dutch competitors.

In 1924, Britain's four main fledgling airlines, which had by then evolved into Instone, Handley Page, Daimler Airways (a successor to AT&T), and British Air Marine Navigation Company Limited, merged to form Imperial Airways Limited. By 1925, Imperial Airways was providing services to Paris, Brussels, Basle, Cologne and Zurich. Operating from the new London airport at Croydon, services were introduced during the 1920s and 1930s to Egypt, the Arabian Gulf, India, South Africa, Singapore, and West Africa. In co-operation with QANTAS Empire Airways Limited, which operated between Singapore and Australia, a service between the UK and Australia was established in 1935. Meanwhile, a number of smaller UK air transport companies had started flights. In 1935, they merged to form the original privately-owned British Airways Limited, which became Imperial Airways' principal UK competitor on European routes, operating out of another new airport, Gatwick. Following a Government review, Imperial Airways and British Airways were nationalised in 1939 to form British Overseas Airways Corporation (BOAC).

Post-war, BOAC continued to operate longhaul services, other than routes to South America. These were flown by British South American Airways (BSAA), which was merged back into BOAC in 1949. Continental European and domestic flights were flown by a new airline, British European Airways (BEA). BOAC introduced services to New York in 1946, Japan in 1948, Chicago in 1954, and the west coast of the United States in 1957. BEA developed a domestic network to various points in the United Kingdom, including Belfast, Edinburgh, Glasgow, and Manchester. From 1946 until 1960, BOAC and BEA were the principal British operators of scheduled international passenger and cargo services - and they preserved Britain's pioneering role in the industry. The 1950s saw the world enter the passenger jet era - led by BOAC, with the Comet flying to Johannesburg in 1952, halving the previous flight time. Despite grounding the Comet fleet after two crashes in 1954, BOAC was still able to claim the distinction of operating the first jet transatlantic service in October 1958, with two Comets flying simultaneously from London and New York, days ahead of their American rivals. The next decade saw another world beater, when BEA's Trident aircraft made the first automatic landing on a scheduled service, heralding the era of all-weather operations. The birth of the mass package holiday business meant changes in the airline industry. BEA met this by establishing its own charter airline, BEA Airtours, which took off in 1970. Caledonian Airways carried this mantle for the Group until March 1995, when the company was sold.

Following the formation of the Air Transport Licensing Board in 1960, other British airlines began to operate competing scheduled services. Indeed, several of the smaller domestic airlines - including Cambrian Airways and BKS (later Northeast Airlines) - eventually passed into BEA's ownership. In 1967, the Government set up another study into the industry. It recommended a holding board to be responsible for the two main airlines, BOAC and BEA, with the establishment of a second force airline, brought about by unifying various independents. As a result, British Caledonian was born in 1970, when the original Caledonian Airways took over British United Airways. Two years later, the businesses of BOAC and BEA were combined under the newly formed British Airways Board, with the separate airlines coming together as British Airways in 1974. Although this merger was to lead initially to substantial financial losses and industrial strife, the new airline inherited its predecessors' pioneering path, launching the world's first supersonic passenger service, simultaneously with Air France, with Concorde in January 1976.

In July 1979, the Government announced its intention to sell shares in British Airways. The Civil Aviation Act 1980 was passed to enable this to happen. Lord King was appointed Chairman in 1981 and charged by the Secretary of State for Trade to take all necessary steps to restore the Group to profitability and prepare it for privatisation. With an overall deficit of £544 million declared for 1981-82, including special provisions to pay for an extensive "survival plan", which included staff cuts, suspension of unprofitable routes and disposal of surplus assets, the task of re-establishing the company as the world's leading airline began in April 1983 with the repositioning of the carrier as the World's Favourite Airline. In February 1987 British Airways was privatised. Over one million applications were received for shares in the airline, offered at 125 pence, making the flotation 11 times oversubscribed. Freed from the constraints of Government ownership, British Airways announced a merger with British Caledonian in July. The merger went ahead following approval by the Monopolies and Mergers Commission later that year.

The key events in the company's history after privatisation are documented on the following pages.

## KEY EVENTS

### *Post-Privatisation (February 1987-January 2007)*

#### 2007

January Following a ballot for industrial action the T&G announced a series of planned strikes. As a result the airline cancelled 1,300 flights over a 48-hour period. While the dispute was averted and the schedule reinstated, supported by a seat sale of 500,000 tickets, the impact on lost bookings and revenue is expected to be some £80 million in the fourth quarter.

The BA Forum, which represents British Airways' unions, issued a statement recommending acceptance of changes to benefits to tackle the £2.1 billion deficit in the New Airways Pension Scheme (NAPS).

The airline reduced its fuel surcharge on longhaul flights less than nine hours from £35 to £30 per sector as a result of a fall in the price of oil.

British Airways announced modifications to its uniform rules to allow staff to wear a symbol of faith openly. The decision came after a comprehensive review of the airline's uniform policy and extensive consultation with a wide range of religious groups including representatives from the Church of England, the Catholic Church and the Muslim Council of Britain. The new policy was introduced on February 1, 2007.

The airline announced a new daily service between London Gatwick and Newquay. The flights will start on Monday March 20, 2007 operating on a Boeing 737.

#### 2006

December The airline launched a new five times a week service From Heathrow to Calgary and a new five times a week service from Gatwick to Salzburg.

The T&G's cabin crew branch is balloting its members on industrial action. The company has been in talks for some time with the T&G and Amicus on changes to work practices that would contribute toward the airline's drive to achieve a £450m reduction in costs by March 2008. Talks continue.

In response to the Government's announcement of a 100 per cent increase in Air Passenger Duty, the airline called for tax reform and said at least £87 million should be ring-fenced for spending on emissions-reducing renewable energy projects in the developing world, thereby offsetting all the airline's emissions.

The New Year flight sale featured discounts on 4.5 million seats to 140 destinations worldwide.

Avis and Vanguard have been selected as the airline's worldwide car rental partners.

November The airline has reached agreement in principle to sell the regional operation of its subsidiary airline BA Connect to Flybe. The proposed sale is expected to be concluded in early 2007.

The airline purchased American Airline's remaining stake in Iberia for approximately 19 million euro (or £13 million) taking BA's total share holding from some nine to ten per cent. The transaction is intended to preserve British Airways' two seats on the Iberia board.

BA unveiled its next generation business class cabin, which offers greater comfort, more space and storage. It is part of an £100 million investment in the airline's products and services that includes its First Class cabin and the introduction of an on-demand in-flight entertainment system in every cabin across the longhaul fleet. The new Club World flat bed is 25 per cent wider with a unique 'z' bed position that extends to six foot six inches.

A ten-year funding plan to tackle the £2.1 billion deficit in the New Airways Pension Scheme (NAPS) was agreed in principle between BA and the trustees. It includes an increase in the company's one off cash injection from £500 - £800 million plus cash payments of £50 million for three years and an increase in annual contributions to over £250 million. Following consultation with its trades unions the company proposed to increase its annual contributions to £272 million and offered staff the choice of a normal retirement age of 60 with increased staff contributions or retirement at 65 with a reduced pension.

Willie Walsh, chief executive, called for faster progress on plans to increase runway capacity at Heathrow airport. He urged the Government to set out a step-by-step timetable for the introduction of mixed mode operations and a short third runway, with clear deadlines for the necessary preparatory work by airport owner BAA and the Civil Aviation Authority.

British Airways announced a review of its uniform policy to examine ways in which the policy can be adapted to allow symbols of faith to be worn openly while remaining consistent with the British Airways brand and compliant with employment legislation.

A mini 'World Offers' sale to 36 popular long-haul destinations with savings of up to 53 per cent was announced. New routes from London Gatwick to Port of Spain in Trinidad and Tobago, Dresden in Germany and Sarajevo in Bosnia and Herzegovina will start from March 2007.

The airline signed a code share agreement with Caribbean Airlines on British Airways' services to Port of Spain, Barbados and Antigua.

October British Airways launched a competition for new longhaul aircraft by issuing tender documents to aircraft and engine manufacturers. Airbus, Boeing as well as engine manufacturers Engine Alliance, General Electric, and Rolls Royce plus other key component suppliers have been invited to bid. The competition is the first step in a lengthy process before the airline makes a decision on fleet growth and replacement for the next decade. Launching the competition highlights the need to tackle the airline's £2.1 billion pension deficit in the New Airways Pension Scheme (NAPS).

Martin George, commercial director, and Iain Burns, British Airways' head of communications resigned their positions with the airline on October 9. They had been on leave of absence since June 2006 when the Office of Fair Trading and the US Department of Justice began an investigation focused on long-haul passenger fuel surcharges. Robert Boyle, British Airways' director of planning was appointed commercial director and Thomas Coops, former communications director at Abbey National, was appointed interim head of corporate and media relations.

The airline launched a promotion offering savings of up to £1,455 on Club World return fares to 36 longhaul destinations this winter including New York, Shanghai and Tokyo. The airline also launched a promotion offering savings of up to £185 to US and Canadian ski destinations this winter including Denver, Vancouver and Calgary.

The airline announced that the actuarial deficit in its New Airways Pension Scheme (NAPS) is set to rise from £928 million to some £2.1 billion, despite a doubling of BA's contributions and a recovery of the stock market. The trustees confirmed that annual contributions at the unsustainable level of £497 million would be needed to fund the scheme unless changes to future benefits proposed earlier this year are introduced. This means the company's contributions would go up from five to 12 times members' contributions. Negotiations between British Airways and the trustees are now underway to agree a funding plan including proposed benefit changes. Consultation continues with the trades unions.

British Airways urged the Civil Aviation Authority to cut the profits BAA receives from its asset base to ensure that the airport operator builds cost-effective facilities that generate additional airport capacity. The CAA is currently consulting on the level of user charges at Heathrow, Gatwick and Stansted airports for a five year period from April 2008, in its role as an economic regulator. During the current charging period between April 2003 and March 2008, BAA receives a 7.75 percent return on its asset base. British Airways said this should be set at around 5.6 percent in the next charging period, a reduction of almost one third.

It was announced that James A Lawrence will be joining the board as a non-executive director with effect from 1 November, 2006. He is currently vice chairman and chief financial officer of General Mills Inc. one of the largest food companies in North America. His range of experience covers strategic consultancy, leading US multi-nationals in consumer products and the US airline industry.

August British Airways called on the Office of Fair Trading to refer its study on the UK airports market to the Competition Commission because of its concerns about current airport regulation and ownership. The airline said separate ownership of London Heathrow and London Stansted airports should be considered because decisions on new runways in South East England should not be concentrated in the hands of one company. In the event of a break-up of BAA, the airline said there would be a continued need for strong regulation to protect users against monopoly power, particularly at London Heathrow and London Gatwick.

The airline sold its Travel Clinic business to MASTA (Medical Advisory Services for Travellers Abroad) who will become British Airways Preferred Partner for travel health services from this month.

Alan McDonald, British Airways' Director of Engineering, announced his retirement after 40 years at the airline. He will be succeeded by Garry Copeland, currently General Manager Quality and Engineering Services from September 15.

July British Airways reached agreement with its trade unions to merge its Gatwick based longhaul and shorthaul cabin crew into a single fleet from October this year. The deal provides for significant gains in productivity and staff flexibility and reductions in employee costs estimated at £13.2 million a year.

At BA's annual general meeting, BA's chairman Martin Broughton said the trustees of the New Airways Pension Scheme (NAPS) had written to the company to say they accept that on-going contributions much in excess of current levels may not be sustainable and that a reduction in future benefits is likely to be required. NAPS has an accounting deficit of £2.1 billion.

As part of an initial public offering by WNS (HOLDINGS) Ltd on the New York Stock Exchange, British Airways sold its 14.6 per cent shareholding in the India based business services company, for net US\$ 96 million (approximately £52 million). The airline will report a gain on disposal of approximately £48 million in Q2 and the proceeds will be used to repay existing gross debt, which at March 31, 2006 amounted to £4.1 billion.

A new five times a week service is to be launched from Heathrow to Calgary in Canada on December 1, 2006. British Airways will also increase flights from Heathrow to JFK from seven to eight per day and increase flights from Heathrow to Sao Paulo in Brazil from seven to 10 each week.

- British Airways announced an increase in the number of seats available at its record low one-way fare of £29 by five hundred per cent from July 27. Almost two million additional seats are now annually available from Gatwick to Europe at low fares. More than 900,000 are priced from £29 one-way (including taxes and charges) and a further 700,000 from £34.
- The airline held a summer sale with up to £585 off popular holiday destinations. Flights from London to Bermuda and Antigua began at just £299, New York from £249 return and Mumbai from £299.
- The airline extended its on-line check-in facility to families and groups of six or less to further minimize waiting time at the airport.
- June British Airways Plc announced that it is assisting the Office of Fair Trading (OFT) and the United States Department of Justice relating to alleged cartel activity involving British Airways and a number of other airlines in relation to passenger air transportation, including fuel surcharges. British Airways' policy is to conduct its business in full compliance with all the applicable competition law. Martin George, commercial director, and Ian Burns, Head of Communications, are given leave of absence during the investigation.
- British Airways won the title Airline of the Year 2006 at the annual Skytrax World Airline Awards, with more premium passengers nominating BA than any of the other airlines in the top ten.
- A new baggage policy is announced following Department for Transport recommendations. The new guidelines mean changes to hand, checked, and excess baggage allowances and are being phased in from July.
- British Airways and Malev Hungarian Airlines signed an agreement that will enable the airlines to begin code sharing on each others flights between London and Budapest from November 1,2006.
- May British Airways announced a pre-tax profit of £620 million for the year to March 31, 2006 (2005: £513 million profit) including a pre-tax profit for the fourth quarter of £91 million (2005: £6 million loss). Operating profit for the year was £705 million (2005: £556 million profit) and £93 million for the quarter (2005: £46 million profit).
- The accounting valuation of the New Airways Pension Scheme (NAPS) showed an increased deficit up, £101 million from the previous year to £2,070 million despite increase contributions and strong equity markets, reflecting low long-term interest rates.
- The airline launched a pro motion offering savings of up to £1,250 on Club World return fares to longhaul destinations including New York, Singapore, and the Caribbean.
- April British Airways increases the fuel surcharge on its longhaul flights from £30 to £35 one-way effective April 21, 2006 as a result of further rises in the price of fuel. The shorthaul fuel surcharge remained unchanged at £8 per sector.
- The company announced a radical shake up of its shorthaul airfares with one-way all-inclusive tickets starting at £29. The airline scrapped all non-changeable economy tickets, with passengers able to change their flights up to midnight the day before departure, and increased the flexibility of its lowest priced tickets in response to feedback from its customers.
- Willie Walsh, chief executive, urged the European Commission to keep its aviation emissions trading scheme simple and practical, and not to delay the extension of its carbon-trading scheme to airlines by over complicating arrangements. He said it was vital to bring the EU scheme into operation to demonstrate the aviation industry's commitment to addressing its impact on global warming, but warned that the size of aviation's share of global carbon emissions was sometimes overstated.
- British Airways donated £500,000 raised through the Change for Good Programme to UNICEF in order to help rebuild 11 schools devastated in the South Asia earthquake of Autumn 2005.
- March British Airways announces a proposal to clear the £1 billion past service actuarial deficit in its New Airways Pension Scheme (NAPS). The proposal retains a final salary pension scheme with no changes to past service benefits.
- BA announced the restructure of parts of its UK direct sales operations with the proposed closure of British Airways' Travel shops and the airline's Belfast based customer call centre by August 2006.
- The summer 2006 schedule includes British Airways' first ever flights to Tirana in Albania and Varna on Bulgaria's Black Sea coast. Flights from London Gatwick to Reykjavik in Iceland, Izmir in Turkey, Kiev in Ukraine, and Athens, Greece are also announced.
- A series of service enhancements to be introduced ahead of the move to Terminal 5 are announced, including the introduction of self-service check-in for all customers travelling on UK domestic services from April 2006.

February The sale of British Airways' entire interests in the London Eye to the Tussauds Group was completed for £100.45m.

The airline appointed e-Dialog as its e-mail service provider for customer communications in the UK including Executive Club members and registered customers of ba.com.

oneworld and Japan Airlines (JAL) signed a memorandum of understanding, completing the Asian carrier's first steps towards joining the alliance.

British Airways Plc received a request for information from both the European Commission and the United States Department of Justice relating to alleged cartel activity involving British Airways and a number of other airlines and cargo operators. British Airways' policy is to conduct its business in full compliance with all the applicable competition law. British Airways is assisting the European Commission and the US DoJ with their enquiries.

January British Airways regional subsidiary, British Airways CitiExpress, was re-launched as BA Connect in a major drive to improve profitability and compete more aggressively in the UK regions by offering more choice and lower fares - slashed by more than 40%.

The airline announced that it aims to comply fully with new US government Advanced Passenger Information legislation requiring extra passenger information from all non-US passport holders travelling to the US, including their country of residence and a first night destination address as well as data found in their passport, by March 7, 2006.

At a speech at the Wings Club, chairman Martin Broughton called on the United States government to scrap its existing foreign ownership rules, urging the Bush administration to create a genuine dialogue with Congress over the potential benefits of allowing overseas companies to take majority stakes in US carriers.

## 2005

December The House of Lords ruled that no claims for injury or death caused by DVT during the normal operation of an aircraft could now be brought against airlines in the UK.

Following an internal investigation into the unofficial industrial action by some of BA's ground support services staff in August 2005 two employees were dismissed and a third employee, also found guilty of gross misconduct, was issued with a final written warning, suspended without pay for one month and banned from staff air travel privileges.

The withdrawal of BA's daily service from London Heathrow to Melbourne via Singapore from March 25, 2006, was announced. Melbourne flights will transfer to QANTAS as part of the Joint Services Agreement.

Five times a week services from Gatwick to Grenoble began with prices from £79 return.

November Talks on a new transatlantic aviation agreement between the EU and US ended with some progress on aspects of the regulatory framework. No agreement was reached on market access and lifting restrictions on foreign ownership in US carriers. Interested parties were asked to comment and a final decision is expected in March 2006.

British Airways announced plans to re-structure its business with a 35 per cent reduction of its 1,715 managers by March 2008. The job cuts will save £50 million and contribute towards the airline's £300 million employee cost reduction programme by March 2007.

Mr Chumpol NaLamlieng joined the board as a non-executive director.

The company announced a pre-tax profit of £241 million (2004: £293 million) for the three months ended September 30, 2005. The result for the half-year was £365 million (2004: £368 million). Operating profit for the quarter was £261 million (2004: £245 million) and £437 million for the half-year (2004: £374million).

A £100 million investment in longhaul business class was confirmed for introduction in mid 2006.

British Airways and The Tussauds Group signed a memorandum of understanding agreeing the sale of the airline's entire interests in the British Airways London Eye including its one-third share and its outstanding loan to the company for £95 million. The airline plans to continue its brand association with the attraction by extending its franchise agreement.

October British Airways' winter schedule included increased services from London Heathrow to India from 19 to 35 flights each week including a new five per week service to Bangalore, twice daily flights to Mumbai, and six flights a week to Chennai. Flights from Birmingham to Rome and Vienna, operated by British Airways CitiExpress, were suspended.

Bartle Bogle Hegarty (BBH) was appointed British Airways' worldwide creative advertising agency after a review of the existing contract and a formal competitive pitch.

Royal Jordanian announced that it is to join the oneworld alliance. Japan Airlines (JAL) announced its intention to seek membership of oneworld.



- Captain Tim Steeds became director of safety and security.
- September Rod Eddington, CEO, retired and was succeeded by Willie Walsh. Mike Street, OBE, director of customer service and operations, retired after 42 years service.
- Gate Gourmet and the Transport and General Workers' Union signed an agreement to end the labour dispute at the catering company.
- British Airways increased its fuel surcharge on longhaul flights from £24 to £30 per sector (£60 return trip). The shorthaul fuel surcharge remained unchanged at £8 per sector (£16 return trip).
- It was announced that Keith Williams, BA's group treasurer and head of taxation, would succeed John Rishton as chief financial officer on January 1, 2006.
- A new voluntary scheme was launched to enable customers to help offset the carbon dioxide emissions from their flights by making a contribution to an environmental trust.
- The European Union's decision to develop proposals to include aviation in the EU emissions trading scheme was welcomed by BA.
- Readers of Business Traveller magazine voted British Airways the best airline in the world, best shorthaul airline, best first class, best business class, best economy class and best frequent flyer programme.
- August Some 900 flights were cancelled due to unofficial industrial action by some of BA's ground support services staff in support of employees dismissed by the airline's catering supplier Gate Gourmet.
- Management changes were announced. Geoff Want was appointed director of all ground operations in the UK and overseas including the airline's move to a single terminal operation in Heathrow's Terminal 5 in 2008. In-flight services will in future report to commercial director Martin George. Robert Boyle was appointed director planning, heading a new department that includes the airline's operations control and operations planning departments.
- British Airways launched its biggest ever 'World Offers' winter seat sale with over three million discounted flights available to over 150 destinations including Europe.
- July Record passenger loads in July indicated that the short-term impact of the London bombings on July 7th was not material although it is too early to say what the long-term impact will be.
- British Airways lost the Employment Appeal Tribunal into the case of a First Officer who wanted to work a 50 per cent contract. All pilots, male and female, must have at least 2,000 flying hours' experience before being permitted to work less than 75 per cent of a full time contract. An application for leave to appeal to the Court of Appeal has been submitted.
- British Airways released financial information prepared under International Financial Reporting Standards (IFRS) for the year ended March 31, 2005. Under IFRS, the airline's operating profit for the year ended March 31, 2005 increased from £540 million under UK GAAP to £556 million and profit before tax increased from £415 million to £513 million. The adoption of IFRS represented an accounting change only and did not affect the underlying operation of the business or the airline's cash flows for 2004/5.
- At the airline's 2005 annual general meeting chief executive designate Willie Walsh, commercial director Martin George, Ken Smart, Denise Kingsmill and Baroness Symons were elected onto the British Airways Board. Stepping down were former flight operations director Captain Mike Jeffery, Dr Ashok Ganguly and Lord Renwick of Clifton, in line with corporate governance guidelines on independence. The meeting included a farewell to Lord King of Wartnaby, British Airways president emeritus and former chairman, who died on Tuesday July 12.
- British Airways' Corporate Responsibility Report for 2004 – 2005 was published and included details of the airline's double Gold Standard for its diversity programme, a first time award from Race for Opportunity for its work on racial equality across the company, and a renewed award from Opportunity Now for gender equality.
- The company launched a new online shopping basket facility on ba.com that enables customers to pay for hotels, car-hire, resort transfers, and sightseeing tours as well as flights in a single transaction.
- British Airways launched a seat sale offering thousands of discounted flights on over 80 routes for travel until November 2005.
- June British Airways increased its fuel surcharge in the UK from £16 to £24 per sector (£48 return trip) on longhaul and from £6 to £8 (£16 a return trip) on shorthaul as a result of further rises in the price of oil.
- A five times a week service was launched between London Heathrow and Shanghai's Pudong airport operated by Boeing 777 aircraft. Services from London Heathrow to Beijing increased from four to six times per week and from 17 to 21 times a week to Hong Kong.
- A new television commercial was aired promoting BA's softest ever flat bed in Club World.

The 'manage my booking' feature on ba.com was revamped to offer customised travel advice to passengers.

British Airways announced its support for the 'Sustainable Aviation' initiative, a comprehensive programme to address aviation's impact on the environment.

A new twice-weekly service from London Gatwick to Hassi Messaoud in Algeria began.

May British Airways reported a pre-tax profit of £415 million for the year (2004: £230 million profit) including a pre-tax profit of £5 million for the fourth quarter (2004: £45 million profit). Operating profit for the year was £540 million (2004: £405 million profit) and £40 million for the fourth quarter (2004: £32 million profit).

British Airways won two awards at the 2005 OAG awards ceremony in London based on votes polled by a worldwide audience of business travellers - the Best Airline Based in Western Europe and Best Transatlantic Airline.

British Airways received an award in recognition of its corporate responsibility activity in the London Borough of Hillingdon.

Prime Minister Tony Blair signed a British Airways Boeing 747 in support of London's bid to host the 2012 Olympic and Paralympic Games. British Airways, a premier partner of the London 2012 bid, hopes to collect in excess of 100,000 signatures on the aircraft that will carry the bid team to Singapore for the decision vote by the International Olympic Committee.

Commission payments to UK travel agents on British Airways' bookings were reduced from one percent to zero.

April British Airways offered large savings on business class returns to 36 longhaul destinations and 36 European cities and resorts for the summer holidays.

The franchise agreement with Air Kenya Aviation Ltd, which traded as Regional Air was terminated. The decision followed the Kenyan based airline's suspension of flights operated as part of the franchise agreement.

British Airways is to appeal against an employment tribunal ruling after losing an indirect sex discrimination claim from a female pilot who had requested a 50 per cent contract. The airline said it could only offer her a 75 per cent contract because all pilots, male and female, must have at least 2,000 flying hours' experience before being permitted to work less than 75 per cent of a full time contract. This policy is based on safety grounds and is not a gender issue.

March Willie Walsh was announced as British Airways' new chief executive officer. Previously CEO of Aer Lingus, he begins as chief executive designate on May 3. Rod Eddington will retire at the end of September at which stage Mr. Walsh will become chief executive.

British Airways announced its 2005 summer timetable, which included new services from Gatwick to Salonika in Greece, Split in Croatia, Vilnius in Lithuania, Bucharest in Romania, and Sofia in Bulgaria.

British Airways increased its fuel surcharge on all flights as a result of continuing record oil prices. The longhaul fuel surcharge rose from £10 per sector to £16 per sector (£32 return trip) and on shorthaul from £4 per sector to £6 (£12 a return trip).

Flights from London Heathrow to Jeddah and Riyadh in Saudi Arabia were suspended for commercial reasons, due to reduced passenger demand.

February The Australian Competition and Consumer Commission (ACCC) gave approval to the continuation of the joint service agreement (JSA) between British Airways and QANTAS for a further five years.

Installation was completed of Club World flat beds on all Boeing 777 aircraft operating direct services from Gatwick to twelve destinations in the USA and Caribbean.

British Airways offered over 50,000 discounted return flights to North America.

January The airline's multi-award winning Club World flat bed is to be improved with the latest cushioning technology to give customers more comfort and further ergonomic support. This is the first time such cushioning has been used in an airline seat.

A bumper New Year mileage offer is launched to give Executive Club members the opportunity to earn the equivalent of a free ticket when booking BA business class.

At the Aviation and Environment summit in Geneva, British Airways' chief executive Rod Eddington urged the global aviation industry to work together to reduce its impact on climate change or face the risk of additional taxation. The airline is currently trading emissions in a voluntary British government scheme and supports the inclusion of aviation into the European Union's emissions trading scheme from 2008.

## 2004

December A new bilateral agreement between the UK and Indian governments increases the number of frequencies

between the UK and India from 19 to 40 per week. Following a scarce capacity hearing at the Civil Aviation Authority British Airways was given seven new services: four extra to Chennai and a new three-times-a-week service to Bangalore, starting in winter 2005. British Airways has appealed the decision and is awaiting the outcome of that appeal.

A new feature is introduced on ba.com which enables customers to change the date or time of their flight, upgrade class of travel and cancel and arrange a refund of their tickets. Any costs for changes are calculated instantly and are completely transparent.

British Airways and Iberia sign an agreement to develop a joint business on key routes between London and Spain that includes revenue and cost sharing on flights between London Heathrow and Madrid and Barcelona. It will also ensure a better spread and choice of flight timings on these routes, better connections, and shorter journey times for customers travelling around the world from London Heathrow and Madrid.

Plans to start two new Eastern European services from London Gatwick to Budapest and Sofia from June 2005 are announced.

British Airways launches its first drive-through check-in facility for Club World passengers and a new exclusive check-in and lounge for First passengers at Grantley Adams Airport in Barbados.

November Solid second quarter results are delivered as British Airways continued cost drive delivers a pre tax profit of £220 million. The three-month pre-tax figures took the result for the half-year to £335 million. Yields in the second quarter were down 5.1 per cent. Unit costs were down 6.1% for the tenth consecutive quarter. Net debt at £3.3bn is at its lowest since 1993.

British Airways becomes the first airline in the UK to enable passengers departing from Heathrow to print their own boarding pass online for flights from Terminal 1 to Aberdeen, Edinburgh, Manchester, Glasgow, and Newcastle. Passengers travelling from Manchester are offered the facility on both domestic and international routes.

The Civil Aviation Authority (CAA) announces a consultation for NATS' (National Air Traffic Services) charges for the five-year period starting in 2006. The final decision about NATS' charges will be made in the latter half of 2005.

British Airways signs a four-year partnership with the Rugby Football Union (RFU) to be the Official Airline of the England Rugby Team.

October British Airways increases its fuel surcharge from £6 to £10 per sector on longhaul flights and from £2.50 to £4 per sector on shorthaul flights as a result of the continued rise in oil prices.

Denise Kingsmill, CBE, is to join the British Airways Board as a Non-Executive Director from 1 November 2004.

The US State Department introduces new passport rules and security measures for all customers flying into the USA as part of tighter security controls following the September 11, 2001 terrorist attacks.

The first Airbus A321 194 seater aircraft is delivered to British Airways. It will operate on shorthaul high-density routes from Terminal 4 at London Heathrow.

British Airways launches a six-month trial of an innovative text message service called Flight Tracker, which allows customers to receive the latest information on the status of their flight while on the move.

September British Airways completes the sale of its 18.25 per cent shareholding in QANTAS. The gross sale proceeds were A\$1.1 billion (approximately £430 million). The airline expects to use the proceeds to repay part of its gross debt, which at June 30, 2004 amounted to £5.6 billion.

The winter schedule is announced which includes new services to Switzerland, Greece, Croatia, and Lithuania.

A bistro style restaurant is introduced at New York's JFK airport for business passengers to sample dishes created by UK based Michelin starred chefs.

British Airways celebrates 65 years of operations to Birmingham, 45 years to Moscow, and 20 years to Cape Town.

The airline sweeps the board at the Business Traveller magazine awards ceremony, picking up seven awards including best airline, best first class, best business class, best economy class, best longhaul airline, best shorthaul airline, and best frequent flyer programme. The oneworld alliance wins the best airline alliance category.

Marketing magazine votes British Airways one of the UK's best-loved brands.

New technology on ba.com allows British Airways' customers travelling from London City Airport to print their own boarding card before arriving at the airport.

August The threat of industrial action against British Airways lifts following agreement with its unions on a three-year

pay deal. The company agrees a backdated pay increase over three years in line with predicted rates of inflation plus non-pensionable lump sum payments.

The agreement follows an acceptance by the unions of a single absence policy, which targets a reduction in current absence from an average of 17 days per employee down to 10 days within 12 months and should deliver £30 million in cost savings.

The airline suffers a series of operational issues, including some beyond the airline's control, which resulted in disruption for customers. The airline apologises to its customers and commits to taking steps to ensure it is able to handle such exceptional circumstances in the future. Operations recovered by the Bank Holiday weekend when some 225,000 passengers departed Heathrow, slightly up on the previous year.

The Joint Services Agreement between British Airways and QANTAS on the kangaroo routes is given draft approval for a five-year extension by the Australian Competition and Consumer Commission.

July The British Airways' annual Social and Environmental report is published. During the last five years the airline's aircraft noise levels have halved, global carbon dioxide emissions are down by 15 per cent, and nitrogen dioxide emissions at Heathrow are down by 13 per cent. Fuel efficiency has improved by 25 per cent since 1990.

The British Airways Skyflyers' family travel brand is re-launched to make flights more fun with new activity packs on flights lasting more than three hours. Families can request seats together and kids' meals whilst booking their tickets online.

British Airways announces an Employee Reward Plan so that all staff can benefit from the airline's future success. Staff will be rewarded when profit margin targets are "triggered" as the airline makes progress towards its 10% target.

Notice of ballots for industrial action over pay is received from the TGWU representing ground support services staff and from the TGWU and GMB covering administration and terminal staff.

June Swiss International Air Lines asks British Airways to release it from some of the obligations of the commercial pact agreed in 2003. An amicable agreement is reached. British Airways retains the eight Heathrow daily slots exchanged with Swiss and codesharing between London Heathrow and Geneva will continue for a further three years. Swiss will not join the oneworld alliance. Other codeshare agreements will end by October 2004.

British Airways chief executive Rod Eddington calls for the European Commission to oppose any form of 'state aid' to Alitalia, which applied for a 400 million euro bridging loan from the Italian government.

No agreement is reached in the latest round of EU US talks on a new air treaty between Europe and the United States.

A record number of British Airways' customers use the enhanced online check-in facilities on ba.com, with more than 100,000 checking in from the comfort of their own home.

A new improved food service is introduced for Club Europe customers offering greater choice, healthy meal options and more appropriate food depending on the time of the flight during the day.

May British Airways posts a pre-tax profit of £230 million for the full year to March 31, 2004 (2003: £135 million profit). There was a pre-tax profit for the fourth quarter of £45 million (2003: £200 million loss). The operating profit for the full year was £405 million (2003: £295 million profit). The operating profit for the fourth quarter was £32 million, £196 million better than last year. The year end results marked the completion of the two year Future Size and Shape programme that delivered £869 million to March 2004, £219 million better than target and 13,000 headcount reductions.

British Airways adds £2.50 per flight sector (£5 return trip) as a separate fuel surcharge to its fares in the UK as a result of the rising price of oil. In all markets outside the UK a surcharge of \$4 USD per flight sector is added.

British Airways CitiExpress launches direct flights from Birmingham International Airport to Lyon, Vienna, and Nice, and announces increased capacity on existing services from Birmingham to Düsseldorf.

British Airways cuts year-round European airfares by up to a third on 38 major European routes departing from London Gatwick.

Her Majesty the Queen visits Heathrow Airport to mark the tenth anniversary of Change for Good, the fundraising partnership between British Airways and UNICEF which has raised over £18 million from donations of loose change from British Airways customers. The money has directly benefited UNICEF's work to improve the lives of children in over 50 developing countries.

April British Airways unveils its new uniform created by leading British fashion designer Julien Macdonald for more than 25,000 staff including flight crew, cabin crew, dispatchers, and check-in agents. The new uniform will cost British Airways 30% less than the previous design and will continue to generate long term cost savings whilst bringing a new and smarter look to staff.

British Airways launches its first new masterbrand TV commercial for four years that showcases the airline's innovative products and its commitment to customer service.

A new sleeper service for Club World customers is launched giving a better and longer night's sleep on a range of overnight flights from North America and the Middle East to London Heathrow.

A new champagne bar for passengers opens in the First lounge at London Heathrow's Terminal 1 for the airline's First Class passengers and Gold Executive Club members.

Customers flying to Australia with British Airways and QANTAS are able to use e-tickets for the first time.

British Airways adds more than 250,000 seats from London Heathrow to popular holiday destinations during the summer months, such as Los Angeles, Hong Kong, Cape Town, Mexico City, Buenos Aires, and Dubai. The airline also provides an extra 14,000 seats on flights between London and Portugal to enable football fans to get to the 2004 European Championships.

March The airline's Heathrow flight switch programme is completed. Seven shorthaul services transfer from Heathrow Terminal 1 to Terminal 4 and five longhaul services transfer from Terminal 4 to Terminal 1 making it more convenient for transfer passengers to connect between longhaul and shorthaul flights.

A new feature on ba.com is launched enabling customers to request their own seats and special meals.

February British Airways announces the restructuring of its call centre operation in the UK in response to the growing number of customers who book flights on the airline's website. Telephone calls to the airline's five call centres in the UK have fallen by 34 per cent in the last two years from 13 million to 8.5 million per year as the popularity of the internet grows.

British Airways adds further US codeshare destinations to its network with American Airlines, bringing the total number of codeshare routes to 90.

British Airways announces the launch of wireless internet connections at 80 of its main customer lounges around the world giving instant internet and email access to users.

January A target of £300 million in reduced employee costs is set in the airline's business plan for 2004/06 to be delivered through improvements to working practices and lower unit costs.

British Airways' first transatlantic codeshare flights with American Airlines to and from the UK regions open for sale on daily flights from Manchester to New York and Chicago.

British Airways cancels a number of flights to Washington, Riyadh, and Miami for security reasons based on advice from the UK government.

## 2003

December The European Commission gives British Airways, Iberia Airlines and BA franchise partner GB Airways exemption from competition legislation. The exemption allows them to share airport facilities, extend code-sharing services, coordinate sales and marketing programmes, undertake joint network planning, coordinate capacity and pricing, and cargo services.

The UK government, in its Aviation White Paper, approved new runways at London Stansted airport by around 2011, and, subject to resolving the level of nitrogen dioxide emissions, at London Heathrow airport between 2015 and 2020.

The airline announces an increase in capacity between Nairobi and London from seven flights to 10 per week from March 28, 2004.

November Lord Marshall of Knightsbridge announces his intention to retire as chairman of British Airways at the company's next annual general meeting on July 20, 2004. Martin Broughton currently senior independent director who was appointed deputy chairman by the board will succeed him as chairman.

The three-year actuarial valuation, to determine the funding position of British Airways' two main UK pension schemes – Airways Pension Scheme (APS) and the New Airways Pension Scheme (NAPS) - is completed. The APS surplus of £820 million at the last valuation in March 2000 has fallen to £45 million and the NAPS deficit has risen from £221 million at March 2000 to £928 million at March 2003. The government minimum funding requirement (MFR) is covered in both schemes.

Annual contributions of £26 million for APS are required from November 2003. For NAPS, contributions will increase by £107 million a year to £225 million effective January 2004.

Glasgow-based Loganair is to operate seven Scottish routes currently served by British Airways' wholly owned subsidiary British Airways CitiExpress, between the Scottish mainland and the island communities of Benbecula, Shetland, and Stornoway.

British Airways announces plans to launch services to Algiers from London Gatwick on January 5, 2004. Three new routes to three Italian destinations, Bari, Cagliari, and Catania, will also start next summer.

October British Airways and Swiss International Air Lines begin codesharing on each other's services between London Heathrow, Geneva, and Zurich.

Concorde makes its last commercial flight. The locations for the retirement of the seven Concorde which include Airbus UK, Filton Bristol; Manchester Airport Museum of Flight; National Museum of Scotland, near Edinburgh; Heathrow Airport; The Museum of Flight, Seattle; US The Intrepid Sea, Air and Space Museum, New York, US; and Grantley Adams Airport, Bridgetown, Barbados.

British Airways introduces the award-winning Club World flat bed as well as World Traveller Plus, its premier economy cabin, on services from London Gatwick to Houston, Dallas, and Bermuda operated by Boeing 777s. Other services will follow.

A major programme of British Airways flight switches between Heathrow terminals begins with the transfer of two British Airways long haul destinations from Terminal 4 to Terminal 1. The full programme of flight switches to be phased over the next six months.

September British Airways reaches agreement on the 2003 pay deal with its ground support staff and administrative staff for a one-year increase in basic pay of 3 per cent backdated to January 2003.

British Airways and Swiss International Airlines sign a legally binding memorandum of understanding on a commercial agreement. British Airways and Swiss plan joint operations between the UK and Switzerland, with code sharing on London Heathrow Swiss routes from October 26, that will give both airlines' customers convenient access to worldwide destinations via London and Zurich.

British Airways announces plans to resume direct flights to the Pakistan capital, Islamabad this winter.

British Airways resumes flights from London Heathrow to Saudi Arabia. The decision to restart flights followed a thorough review of security in and around Riyadh and Jeddah airports, in co-operation with the UK government's Department for Transport and the Saudi authorities.

As part of the airline's fleet simplification programme, the last of five ATR aircraft was returned to the lessors. There are now no turbo prop aircraft in the mainline fleet.

Rod Eddington, chief executive of British Airways and chairman of the Association of European Airlines, calls on the United States and the European Commission to create a new air treaty that will link the domestic market in the United States with the single market in the European Union.

August British Airways announces further steps to reduce its distribution costs in order to improve profitability. From December 1, 2003, the airline will introduce a commission based payment scheme of 1 per cent for UK travel agents who make British Airways' bookings. This replaces sector payments introduced in April 2001.

The airline unveils its first set of codeshare flights with oneworld partner American Airlines that will ultimately add more than 100 new destinations to its network. The code share routes, on destinations beyond British Airways' 18 US gateway cities and American Airlines' UK gateways, will be introduced in phases. The first cities are Raleigh Durham, Nashville, Cincinnati, Indianapolis, Minneapolis St Paul, Pittsburgh, New Orleans, Panama City, and San Antonio.

Speedwing International Limited, a subsidiary of British Airways Plc, disposes of its trading division Speedwing Mobile Communications to AirRadio Limited – a company forming part of the Spice Holdings Plc Group.

British Airways is given permission to start flights to Basra in Iraq. The airline plans to fly twice a week, via Kuwait, using a Boeing 777 aircraft, once safety and security clearances have been finalised. British Airways' predecessor (operating as Imperial Airways) began flights to Basra in 1927 and to Baghdad in 1929. Flights were suspended in March 1987 during the Iran/Iraq war. Flights resumed again in November 1988 and were finally suspended in February 1990 in the lead up to the first Gulf war.

July Following a dispute earlier in the month, British Airways reaches agreement with staff over the introduction of its electronic swiping in and out system and the trades unions agreed to remove the threat of industrial action.

British Airways announces its route schedule for the winter 2003 season. The new schedule reflects the airline's strategy of focusing on more profitable routes.

A new service from London Gatwick to Turin will operate on a daily basis until December 2003, when a twice-daily service commences. In addition, from April 2004, there will be a new service from London Gatwick to Dubrovnik in Croatia which will operate three times each week.

June British Airways calls for the development of a second runway at Birmingham airport, an extra runway at Edinburgh or Glasgow airport, and new passenger terminals at Manchester airport in its response to the government's regional air studies consultation on UK airports development outside southeast England up to 2030. The airline also said any new runway at London Heathrow airport should have between 30 and 60 daily take-offs and landings reserved for extra flights to UK regional airports.

British Airways welcomes the decision by the Transport Council to grant the European Commission a mandate

to negotiate a new air treaty to replace existing bilaterals between the European Union member states and the United States.

British Airways is named as the "best low cost airline" in an annual Guardian newspaper poll. The airline, which restructured its European and domestic fare structure in summer 2002, now offers new reduced fares on more than 180 routes across the continent.

May British Airways signs an agreement to sell its wholly owned German subsidiary dba to Intro Verwaltungsgesellschaft mbH, the Nuremberg-based aviation consultancy and investment company.

The US Department of Transportation gives final approval to the British Airways and American Airlines codesharing application on destinations beyond British Airways' US gateway cities and American Airline's UK gateways.

British Airways posts a pre-tax profit of £135 million (2002: £200 million loss) for the full year to March 31, 2003. There was a pre-tax loss for the fourth quarter of £200 million (2002: £85 million loss). The operating profit for the full year was £295 million including an £84 million exceptional operating charge relating to Concorde. The operating loss for the fourth quarter was £164 million, £119 million worse than last year.

In its response to the government's consultation on airport infrastructure, BA calls for a new short runway to be built at London Heathrow airport to give Britain maximum economic benefit from an effective international hub airport that would boost the UK economy by £37 billion.

British Airways announces the withdrawal of services between Guernsey and London Gatwick airport from 16 June 2003. The service was continued by Aurigny Air Services.

British Airways announces the withdrawal of its services to Plymouth and Newquay from London Gatwick and Bristol airports from 25 October 2003. The three times a day Plymouth to Newcastle service is also withdrawn and the Dash 8 fleet move to Manchester.

April British Airways announces the retirement of its Concorde fleet of seven aircraft with effect from the end of October 2003.

British Airways launches a new direct air link from Glasgow to London City operated by its wholly owned subsidiary, British Airways CitiExpress, using 110 seat RJ100 jet aircraft. This followed the launch of flights from London City to Paris and Frankfurt at the end of March.

British Airways resumes flights from Heathrow to Tel Aviv and Kuwait and re-introduced direct services to Abu Dhabi, Dubai, Bahrain, Jeddah, and Riyadh. It also announces plans to return to Baghdad after 14 years with a thrice-weekly service, when it is safe to do so.

March British Airways announces a package of measures in response to the impact on its business of the conflict in Iraq. The airline implemented a reduced flying programme and an acceleration of its future size and shape recovery programme.

British Airways re-launches its Executive Club loyalty programme to make the scheme simpler, with more ways to spend BA Miles and better incentives for loyal customers, to take effect from July 1, 2003.

easyJet notifies British Airways that it will not exercise the option to buy its German subsidiary, dba (formally Deutsche BA). easyJet paid the airline £6.1 million during the purchase option period. British Airways says it will continue to work towards the long-term future of dba.

British Airways and SN Brussels Airlines receive approval from the European Commission to continue their commercial relationship agreed in July 2002. It enables the two airlines to code share on selected flights and offer reciprocal frequent flyer benefits for customers.

February British Airways criticises the Civil Aviation Authority for failing to revise its new pricing regime at Heathrow airport, which will allow the airport operator, BAA, to raise landing charges by up to 50 per cent over the next five years.

A three-month internet trial begins on a British Airways 747-400 aircraft, on services between London Heathrow and New York using Connexion by Boeing broadband system. Passengers can plug in their laptop from their seat and access personal and work emails, corporate intranets and the web.

British Airways, its oneworld partner Iberia, and franchise partner GB Airways, announce new code share routes from February 20 on services between London Heathrow and Seville, Valencia, Malaga, Santiago de Compostela, and Bilbao and services between London Gatwick and Madrid, Barcelona, and Bilbao.

British Airways and its oneworld partner Cathay Pacific Airways increase their code-share destinations to 19 with the announcement of extra code-share flights to Seoul, Copenhagen, and Lisbon.

January British Airways announces its shorthaul summer 2003 schedule that included new routes from London Gatwick and Manchester airports and increased services on profitable routes to Europe.

The airline begins wearing trails of a new uniform for customer contact staff.

British Airways submits its detailed response to the Civil Aviation Authority as part of the consultation process on airport charges. It said an increase in airport charges of 6.5 per cent above inflation at Heathrow from April 2003 - 2008 means airlines are being asked to pay £300m in advance for airport services which they and their passengers won't benefit from for many years.

## 2002

December

British Airways announces it is winning back traffic from the no-frills airlines as forward bookings on flights show year on year increases of over 41 per cent from some of its major UK regional bases. The strongest bookings were over the Christmas and New Year period, with Edinburgh and Glasgow proving to be the top performers.

Vineet Bhatia, the Michelin-starred and innovative head chef of Indian restaurant Zaika in Kensington, is recruited to the British Airways Culinary Council. Set up to advise, inspire and develop signature dishes for British Airways, the council already includes the prestigious Michel Roux, chef and proprietor of The Waterside Inn and Mark Edwards, head chef of Nobu.

British Airways switches its aircraft order with Airbus to receive 10 A321 aircraft instead of 12 A318 aircraft and three A319 aircraft. The airline's capital spend with Airbus for the orders placed in 1998 and 1999 remains unchanged. The move comes as part of BA's fleet simplification strategy to base its Airbus fleet at London's Heathrow and Gatwick airports and re-deploy its fleet of 16 110-seater RJ100 aircraft from Gatwick to British Airways CitiExpress fleet at regional airports.

British Airways announces it will be simplifying and strengthening its UK regional operation. British Airways CitiExpress is to operate for the first time from London City in April 2003 with the launch of three new routes. In addition British Airways is giving its key Manchester network a major boost with the introduction of three new routes and extra capacity. British Airways CitiExpress also signs a heads of terms with Eastern Airways with the intention of transferring its 12 strong fleet of 29-seater Jetstream 41s and its associated engineering hangar at Glasgow to the Humberside-based airline. This is first part of an accelerated strategy to move to an all jet regional operation. CitiExpress is to withdraw from 21 regional routes and will no longer fly from Cardiff and Leeds-Bradford airports.

Rod Eddington, chief executive of British Airways, is the new chairman of the Association of European Airlines for 2003. His leadership will build on the foundations laid during the chairmanship of Leo van Wijk of KLM, who held the position in 2002.

November

Good second quarter results are delivered as British Airways cost drive posts a pre tax profit of £245 million. The three-month pre-tax figures took the result for the half-year to £310 million. Yields in the second quarter were up 1.2 per cent. Debt was down by £1 billion.

Changes to British Airways' longhaul flying programme for the summer 2003 season reflect the airline's drive to maximise revenue on profitable routes, reduce its cost base, and work its assets harder. Flights increase to four North American destinations and capacity is reduced to Brazil and Argentina.

British Airways and American Airlines file an application with the US Department of Transportation seeking US regulatory approval to offer certain codeshare services permitted under the current provisions of the US-UK air services agreement. The arrangement would enable British Airways to place its code on American's flights beyond British Airways' US gateway cities to points in the US, Mexico, the Caribbean, and Latin America. The application submitted by the two carriers excluded codesharing on each other's transatlantic services between the US and London.

British Airways chief executive Rod Eddington calls on European nations to strike a new air deal with the USA. Speaking at the Institute of Economic Affairs annual conference in London he urged the European nations to join together to break down America's protectionist aviation policies. He said it was the only way Europe could rebalance a one-sided air treaty the USA had pursued and he appealed to the British government to throw its weight behind the cause.

British Airways announces it is the official travel partner of the Rugby World Cup in Australia. Rugby fans are able to buy a complete travel package to the tournament on official partners websites.

October

The annual charity flight for Dreamflight flies to Disneyworld with 192 sick, disabled and incurably ill children. The special British Airways flight has been an annual event for some years and was the inspiration of British Airways cabin crew Patricia Pearce and retired flight engineer Derek Pereira.

Five tourism projects, including two UK entries, clinch top honours in the travel industry's leading environmental British Airways Tourism for Tomorrow awards. The awards receive entries from 32 countries around the world and recognise best practice in the field of sustainable tourism. The winning project is chosen from five environmental award categories.

September

In-flight entertainment is revamped when British Airways launches a repackaged on-board product - High Life Entertainment. Six new television channels are launched including Film Four and MGM.



Free upgrades to First are offered on one sector of customer's journeys when they book their British Airways' long haul business class tickets. In addition, passengers flying in the airline's Club World (business class) cabin to New York JFK are offered a free upgrade to Concorde on one leg of that journey.

British Airways emerges as the most successful airline at the prestigious 2002 Business Traveller Awards, winning a total of seven categories. As well as winning the blue riband Best Airline award, British Airways also regains top spot in the Best Business Class category by ousting Virgin Atlantic.

August British Airways posts a pre-tax profit of £65 million for the first quarter to June 30, 2002. The operating profit for the first quarter was £158 million. Net costs were down 14.6 per cent for the quarter, and unit costs fell by 2.6 per cent in the same period. Revenue in the quarter, at £2,052 million, was down 10.7 per cent. Passenger yields were up 5.0 per cent primarily due to improved cabin mix.

The launch of British Airways' winter longhaul sale sees thousands of discounted flight tickets to 49 far flung destinations, offering savings of up to £204. Prices started from just £239 for a return ticket to New York, Boston, and Atlanta including taxes.

Prices are slashed by to 80 per cent on British Airways' flights to Spain, Turkey, Greece, Cyprus, Belgium, Czech Republic, Hungary, and Luxembourg completing the launch of year-round low fares on 170 key routes to Europe by the airline.

July A World Traveller Plus promotion launches on 11 US destinations for passengers to travel for an extra £150 for a one-way upgrade in the airline's premier economy cabin. A return ticket to New York, Boston, and Washington with a one-way upgrade to World Traveller Plus starts from £399 including taxes (saving up to £74).

British Airways and its oneworld partner, Iberia, expand their codesharing arrangements, resulting in new international destinations for each carrier. From July 12, the Iberia code is added to connecting flights operated by British Airways from London Heathrow to Budapest, Nairobi, and Singapore. At the same time, British Airways added its code to connecting flights operated by Iberia from its main hub in Madrid for travel on to Havana in Cuba and Santo Domingo in the Dominican Republic.

British Airways and SN Brussels Airlines announce that they are entering into a commercial relationship, subject to regulatory approvals. The agreement between the two carriers is to enable the SN Brussels flight code to be placed on all British Airways services between Brussels and London from October 27, 2002. In addition to the code-share, new ticketing arrangements have been put in place to allow customers to benefit from improved access to each airline's network.

Lambeth councillors vote unanimously to grant the British Airways London Eye permanent planning permission on its South Bank site, opposite the Houses of Parliament.

British Airways welcomes the government announcement about the options for improving airport infrastructure across the UK. Rod Eddington, British Airways' chief executive, said: "Heathrow is a unique national asset and by including it in the options, the Government is recognising the key contribution that it makes to the British economy. The priority must be to build on that contribution."

British Airways announces changes to its winter schedule for 2002, which include increased services to profitable destinations and further route transfers from London Gatwick to London Heathrow. These transfers are in line with the airline's Future Size and Shape strategy, unveiled in February 2002. Services to San Diego, Denver, and Phoenix in the USA, Harare in Zimbabwe, and Lusaka in Zambia moved from Gatwick to Heathrow's Terminal Four, a move which will concentrate British Airways' African network at Heathrow. Flights to New York's JFK airport from Heathrow increased from six to seven daily sub-sonic services.

June British Airways and Finnair expand their current codesharing arrangements by adding destinations in South Africa, Canada, and the UK regions. The Finnair code is added to BA operated flights from London to Johannesburg, Cape Town, Montreal, Vancouver, and Toronto. British Airways also adds its code to selected flights operated by Finnair.

British Airways takes a further step into the next generation of air travel by offering on-board e-mail and internet access for its passengers. BA installs the system in its First, Club World, and World Traveller Plus cabins for a trial period of three months.

British Airways reaches the finals in the UK's most prestigious national awards for corporate community working. It was among a handful of companies to be selected as a finalist for the Investing in Potential award in *Business in the Community's Awards for Excellence 2002*. The award marked the company's achievements and confirmed its position as an 'Example of Best Practice' in the field of corporate responsibility.

British Airways cuts European airfares by up to 80 per cent on 42 routes. Saturday night stay and advance purchase restrictions are scrapped and prices slashed to from £59 return on domestic routes and £69 return to Europe. More than 50,000 air tickets at the lowest fare will be available every month on the 71 domestic and European routes, which also have lower flexible fares, and fewer booking restrictions.

May BA launches a summer promotion for Concorde return fares to New York. The special Concorde tickets went on sale for £3,999, representing savings of up to £3,867. The tickets are on sale throughout May.

British Airways makes sure that its customers get to watch the World Cup, as daily highlights from England matches are played in-flight via the seat back videos during May and June.

British Airways posts a pre-tax loss of £200 million for the full year to March 31, 2002, well ahead of market expectations. There was a pre-tax loss for the fourth quarter of £85 million. Total overall costs for the full year fell by 5.9 per cent, which reflect the actions taken by British Airways in response to the global economic slowdown earlier in the year and decisions immediately after September 11th.

Travel agents are given a new improved web-based booking tool to make it easier to book British Airways flights. The new system, Trade Fare Explorer, replaces British Airways Reservations Online (BAROL). The move is part of the package of measures to reduce costs and improve profitability and is based on the new selling engine on ba.com.

British Airways signs a deal with easyJet for the sale of Deutsche BA (DBA), a subsidiary that flies exclusively in Germany. Under the terms of the deal BA is granting easyJet the option to buy 100% of DBA by March 31, 2003. The deal is potentially worth between £18.3 million (30 million euro) and £28 million (46 million euro), dependent on when easyJet exercises the option.

April British Airways receives more than £6 million from the UK Government after becoming the world's first airline to take part in a new scheme to reduce greenhouse gas emissions. The airline commits to reducing its carbon dioxide emissions in the UK by 125,000 tonnes over the five years of the scheme to 2006. The scheme will begin operating on 2 April 2002.

British Airways signs a deal with Warburg Pincus for the private equity investor to acquire a majority shareholding in World Network Services (WNS), the airline's India-based data management company. The sale of WNS is put forward to enhance the future growth prospects and development of the company and allowed British Airways to maintain a meaningful stake, whilst pursuing its ongoing strategy to focus on core business.

Mr Michael Davies and Raymond Seitz announce their retirement from the BA board of directors, taking effect from 16 July 2002 the day of the AGM. The board numbers reduce to 11 members.

British Airways announces that it will be the official airline of the England football team for the 2002 World Cup. The Football Association charter a 777 for the duration of the World Cup trip flying them to Dubai and on to the Far East. The deal means that British Airways will be the official carrier of the squad up until 2004 encompassing not only the World Cup but also the European Championships in Portugal.

The outcome of the Future Size and Shape in the regions is unveiled. British Airways CitiExpress undertake a review to ensure the profitability of its services at airports throughout the UK. They announce withdrawal of 12 loss making routes, launch two new routes and increase frequency on nine and reduce staffing by the equivalent of 500 full time positions. The changes are to bring £20 million cost savings each year by 2004.

March British Airways introduce a new selling engine to its internet site to make it easier for customers to get the best possible deal when booking flights online.

The wholly owned BA subsidiary, CitiExpress, is officially launched operating to 48 destinations from 26 airports. Passengers will benefit from travelling with a full service regional airline that can offer high frequency schedules to some of Europe's top cities. BA CitiExpress was created from the integration of two wholly owned subsidiaries, Brymon Airways and British Regional Airlines.

February British Airways reports lower than expected pre-tax losses for the third quarter to December 31, 2001 of £160 million against a pre-tax profit of £65 million for the same period last year. The three-month pre-tax figures take the results for the nine months to a loss of £115 million, (2001: £215 million profit).

The chief executives of the eight oneworld member airlines – Aer Lingus, American Airlines, British Airways, Cathay Pacific, Finnair, Iberia, LAN Chile, and QANTAS – underline their commitment to the alliance by accelerating plans to deepen working relationships between the partners. The new developments include a major expansion of code-sharing agreements between the airlines.

British Airways unveils a major package of measures designed to return the airline to profitability, following a wide-ranging analysis of its business led by chief executive Rod Eddington. The review - known as Future Size and Shape - showed measures need to be introduced to meet £650 million of annualised cost savings. They include 5,800 further job losses in addition to 7,200 announced previously, total head office and support staff to be reduced by more than a third and a significant restructuring of short haul business to compete with no frills carriers.

British Airways launches the new 'Skyflyers' activity pack designed and developed with Disney. The new packs are designed to amuse and entertain young flyers of all age groups.

January British Airways increases services to Nassau and Grand Cayman for the summer to cope with increased demand. The extra weekly service means an additional 767 is put on the route to operate to the Caribbean islands.

US Department of Transportation announces the regulatory conditions for the proposed alliance between British Airways and American Airlines, which involves giving up 224 Heathrow slots. Rod Eddington, British

Airways' chief executive and Don Carty, chairman and chief executive, American Airlines say the regulatory price is too high.

## 2001

- December
- Concorde services return to Barbados. British Airways will operate a once a week scheduled service to the island from London Heathrow. The average flight time between London Heathrow and Barbados is three hours and fifty minutes. A subsonic aircraft such as a Boeing 747, flying the same distance, averages a flight time of eight hours fifty minutes.
- British Airways announces its best punctuality results for seven years.
- British Airways suspends services from Hong Kong to Taipei and Manila. British Airways and its oneworld alliance partner, Cathay Pacific Airways, announce an expansion to their code-sharing agreement to cover Kuala Lumpur, Auckland, and eleven destinations in Europe.
- The first rehearsal of the migration to Amadeus ticketing is successfully completed. The initial cutover to the new system is expected in February.
- November
- Armour-plated cockpit doors are fixed on all British Airways aircraft as an extra security measure.
- Concorde returns to commercial service and lands in New York for the first time since July last year. The atmosphere on board is described as "electric".
- Heathrow Terminal 5 is given the go-ahead by the UK Government. It is due to open in 2007.
- A team of 5 senior managers are appointed to lead the airline's study into the future size and shape of the company.
- October
- British Airways combines its two UK regional subsidiaries, British Airways Regional (BAR) and CitiExpress, creating the second largest regional airline in Europe. The combined regional business will have a turnover in excess of £600 million and a fleet of 92 aircraft serving more than 120 routes. The new entity will employ around 3,200 people and carry some five million passengers each year.
- Concorde tickets go on sale and are snapped up in preparation for the flagship's return to commercial service.
- British Airways launches a new twice-daily service between Manchester and Zurich. The flight, operated by British Airways CitiExpress, the wholly owned British Airways regional subsidiary, will provide Club Europe and Euro Traveller services.
- British Airways launches a promotion to get people flying again, with 50,000 Club class tickets up for grabs for Executive Club members, enabling them to take a companion free. Five million cut-price tickets also go on sale to destinations all over Europe with children able to fly for free.
- British Airways wins the prestigious Grand Prix Award for International Design Effectiveness for the new Club World seat that turns into a six-foot fully flat bed. The award was given in recognition of how the product had revolutionised business travel. The seat also won the best consumer product award.
- September
- Possibly the worst day in aviation history - on September 11 terrorists hijack two United Airlines and two American Airlines flights, crashing two of the aircraft into the World Trade Centre's twin towers in New York, and a third into the Pentagon in Washington. The fourth aircraft crashes in woodland in Pennsylvania. No British Airways aircraft were directly involved, although 22 aircraft were diverted. More than 4,000 people were killed. Staff all over British Airways volunteered to ease disruption in the terminals as chaos reigns following many cancellations and aircraft diversions.
- Following the attacks British Airways draws up a plan of action. A Business Response Scheme to achieve 7,000 workforce reductions is approved. A reduction in flying of 10 per cent is also announced. Other measures include a review of spending on new projects, aircraft modifications, investment in products and a moratorium on IT expenditure.
- The Civil Aviation Authority and its French equivalent, DGAC, return Concorde's Certificate of Airworthiness. It marks the end of an intensive programme of work by the manufacturers, regulatory authorities, British Airways, and Air France to ensure Concorde returns safely back into service.
- August
- British Airways pledges to take part in DVT research, alongside the World Health organisation (WHO).
- British Airways launches a new website to promote its Travel Clinics. The new website ([www.britishairways.com/travelclinics](http://www.britishairways.com/travelclinics)) has a link to the airline's dedicated health website and contains details of all the services offered by the Travel Clinics.
- July
- A British Airways Concorde flies for the first time since modifications were made as part of the programme to return to the supersonic airliner safely to service.

- June UK and US officials meet to discuss prospects for an “open skies” agreement. The atmosphere surrounding the discussions is described as “positive and constructive”.
- British Airways sells its no-frills subsidiary “Go” for £100m to 3i.
- British Airways launches its Pets Travel Scheme trial operating from Barcelona, Rome, and Bermuda to London Gatwick.
- British Airways opens a new US telephone sales centre in Jacksonville, Florida. It is run by a wholly owned subsidiary Flytele.
- British Airways celebrates 10 years of operations at Birmingham’s Eurohub.
- May “Air rage” incidents are targeted by British Airways with the release of its new Conditions of Carriage.
- British Airways announce customers can save money each time they buy a ticket from the airline’s website - [www.britishairways.co.uk](http://www.britishairways.co.uk). Passengers will benefit from a £3 discount for domestic and shorthaul flights and £5 for longhaul journeys. The discount will apply to all bookings to and from the UK.
- Mike Jeffery, Director of flight Operations, retires after 35 years with the company.
- April British Airways announces its new summer schedule from London Gatwick, which focuses on the Airline’s strategy to develop viable, point-to-point services at the airport. The highlights include a new daily non-stop service to San Diego, the first scheduled service to the Turks and Caicos Islands, and increased flights to Houston and Buenos Aires.
- British Airways co-hosts a visit of travel chiefs to help dispel misconceptions about foot and mouth disease.
- British Airways and Iberia announce that they are to extend their code-sharing arrangements to long-distance routes. British Airways’ code will be added to Iberia’s six weekly flights between Madrid and Lima. Iberia’s code will be placed on five weekly British Airways’ flights between London Heathrow and Bangkok.
- Australia is the latest country to get the Next Generation products. Aircraft flying to Melbourne and Sydney are embodied with the new 21<sup>st</sup> century products.
- March British Airways revises its menu plans following the outbreak of foot and mouth disease in the UK.
- British Airways confirms it intends to make a recommended offer for all of the issued shares in British Regional Air Lines Plc (BRAL). The offer is subject to formal approval by the Office of Fair Trading. The purchase is a further step in British Airways’ previously announced plans to co-ordinate better its various shorthaul businesses and reduce fragmentation among subsidiary and franchise partners.
- A computer outage on British Airways computer systems causes disruption for passengers around the world.
- The Airline Group, including British Airways, is named by the UK Government as strategic partner for National Air Traffic Services’ public-private partnership. The group announced plans for £1 billion worth of investment.
- February British Airways send an emergency relief flight to transport aid workers and more than 36 tons of vital supplies to victims of the Gurjurat earthquake disaster.
- British Airways re-opens its First class lounge at London Heathrow’s Terminal 4 for premium passengers ensuring unrivalled comfort and luxury on the ground and in the air. A new Concorde Room designed by Sir Terence Conran also opens in the airline’s Lounge Pavilion at Terminal 4, in anticipation of a resumption of supersonic services later in the year.
- As part of its continued commitment to its home market British Airways announces a new range of benefits for passengers flying within the UK. British Airways will offer its full fare passengers the opportunity to choose their seat at the time of booking and lounge access at selected destinations around the UK.
- A worldwide Passion Day is held by British Airways to recognise the airline’s “Passion for Service” campaign.
- British Airways takes part in a survey into air quality on board commercial passenger jets.
- January British Airways begins modifying its Concorde, with the hope of resuming services later in the year. £17 million will be spent on safety-related modifications and £14 million on upgrading the onboard product.
- British Airways announces large cuts in many of its fares, effective from April 1. The adjustments to fares reflect the changes in payments to agents, following the introduction of its new agents’ remuneration scheme.
- British Airways announces the launch of its new Value Pass, enabling passengers to buy full fare domestic and Club Europe e-tickets in bulk at a 10-18 per cent discount.
- British Airways introduces a facility to check-in and select seats for flights out of the UK via WAP phone. The

service is available to Gold and Silver Card Executive Club members, and will be available to Blue Card holders in the summer.

British Airways unveils the Journey Baggage Service, which uses information from computer systems around the world to pinpoint the whereabouts of baggage. This will be the single source of information from which Customer Service staff can trace missing baggage.

British Airways and Iberia announce the expansion of their code-sharing agreement to cover four destinations in Spain served by Iberia subsidiary Air Nostrum. From February, the BA code will be added to Air Nostrum/Iberia flights between Madrid and the regional cities of Almeria, Murcia, Pamplona, and Zaragoza.

## 2000

December

British Airways announces the results of its review of Gatwick operations, marking a shift from previous attempts to build Gatwick as a transfer hub. The plan, which will be implemented over two years, includes reducing longhaul destinations served from Gatwick from 43 to around 25, through cutting some destinations and relocating other services to Heathrow. Gatwick's shorthaul business will be refocused on serving the needs of London and South East England, and the consolidation of City Flyer operations in the North Terminal.

Thomas Cook and British Airways announce that they plan to merge their existing UK scheduled businesses, Thomas Cook Holidays and British Airways Holidays outbound business, to create a 50/50 joint venture company.

British Airways appoints Mike Street, the airline's Director for Customer Service and Operations, to the company's Board.

Zambian Air Services (ZAS) becomes a British Airways franchisee. ZAS will begin flying from Johannesburg to Ndola twice a week and from Johannesburg to Lusaka three times a week.

November

British Airways announces that it will restructure its operations at Gatwick into a largely point-to-point business. British Airways also announces its intention to sell GO, its no frills subsidiary, and to better integrate its various shorthaul operations.

British Airways unveiled its new-look First cabin. The investment includes new interiors, improvements to seat cushioning and bedding, and in-seat telephones and laptop power.

British Airways selects internet consulting firm, iXL, to work with it to develop and implement its future e-Commerce services. The agreement will begin with the redesign of British Airways' global website and the implementation of a new content management system, which are both due to be complete by Spring 2001.

British Airways and Finnair extend their code-sharing agreement to include a longhaul route. Finnair's AY flight code is added to one of British Airways' two daily services between Heathrow and Toronto.

October

British Airways announces significant changes to its flying programme for Summer 2001, which will reduce capacity, measured in Available Seat Kilometres, by 2 per cent on top of the previously planned 8 per cent reduction. However, in terms of flying hours, the changes will mean a 1 per cent increase versus Summer 2000. The changes include the transfer of two longhaul routes from Gatwick to Heathrow, the suspension of one loss-making longhaul route and increased frequencies on some core routes.

Following the completion of the Club Europe embodiment on its aircraft, British Airways increases the baggage allowance for that cabin. Passengers now can take two pieces of hand baggage, weighing up to 18kgs on board, doubling the previous allowance.

AirNewco, an airline-led B2B initiative that includes British Airways, and MyAircraft, a B2B exchange led by aerospace manufacturers, announce their intent to combine their efforts into one venture.

British Airways launches a new corporate rewards program for small to medium sized businesses, called On Business, following a successful nine months trial period. Each time an employee books an eligible fare with British Airways, the company earns points, which can be exchanged for a range of business travel rewards, such as free flights, chauffeur drives to or from UK airports, Heathrow and Gatwick Express train tickets and hotel vouchers.

British Airways and Iberia announce further code-sharing agreements. BA codes will be added to Iberia services between Gatwick and Oviedo, Palma, and Ibiza and between Palma and Mahon. The IB code will be added to BA flights between Gatwick and Faro, Porto, Palma, Tenerife, and Bermuda and between Heathrow and Faro.

September

British Airways and internet agency DoubleClick signed an on-line advertising deal, spanning 14 countries on four continents with a potential audience of over 33 million people.

August

New Club World flying beds are available on the Hong Kong route. The seats have been well-received by customers on the Heathrow - New York JFK route, with significant rises in customer satisfaction ratings for cabin crew, catering, sleep, privacy, comfort and space.

World Traveller Plus opened for sale for travel from October 29 for services between London Heathrow and New York JFK, Hong Kong, and San Francisco.

British Airways announced changes for its Winter 2000 schedule. Shorthaul frequencies are improved from Heathrow to Paris, Prague, Bologna, Rome, and Munich and from Gatwick to Venice and Barcelona. All Tel Aviv services will operate from Heathrow and increase in frequency from 10 to 17 per week. Services to Jersey, Venice, and Bilbao transfer from Heathrow to Gatwick. Service reductions include Heathrow - Paris Orly (reduced from six to three per day), Gatwick - Verona and Gatwick - Genoa. Operations from London to Ljubljana and Salzburg will cease. Longhaul changes include London - Johannesburg becoming a double daily operation, with the addition of an extra weekly flight. A fourth weekly service to Nassau is added, and services to Kuala Lumpur reduce by one frequency to five per week.

British Airways cancelled all Concorde operations after the Air France Concorde accident. British Airways remains optimistic that services will resume at some point.

As a result of the suspension of Concorde operations, an extra 32 new Club World seats will be available on two daily Heathrow - New York JFK services from mid-September.

July Embodiment of Club World flat beds is complete for the Heathrow-JFK route.

British Airways launches a trial offering on-line check-in for its top corporate customers via the British Airways extranet. The system allows customers to check in and select seats from home or the office up to 24 hours before departure. If the trial is successful, the service will be offered to the top 200 corporate customers by the end of March 2001.

The British Airways Executive Club is re-launched with an enhanced range of benefits. In October, BA Miles replaces AirMiles as the mileage currency for UK Executive Club members. Members will be able to earn miles on discount economy fares for the first time and mid and longhaul destinations will be easier to reach. BA Miles will focus on rewarding anyone who flies with British Airways, while AirMiles continues as the UK's leading frequent shopping reward scheme.

CityFlyer Express orders six new Avro RJ100 jets, together with options for six more. The aircraft will be used to upgrade selected routes currently operated by ATR aircraft, as well as introduce some new routes on to the CityFlyer network. Delivery of the aircraft is scheduled from November 2000 through to April 2001.

National Jet Italia, a start-up carrier, becomes the 11<sup>th</sup> member of the British Airways franchise family, flying from Rome to Palermo four times daily.

June British Airways and KLM commence talks on a possible combination of their businesses. In September the two companies announce they will not be proceeding any further.

With the entry into service of the ninth Airbus A319 at Birmingham, the last Boeing 737-200 was retired from the Eurohub terminal.

British Airways and LAN Chile reach a code-sharing agreement. From August, LAN Chile operate connections between Buenos Aires and Santiago, replacing British Airways' London-Buenos Aires-Santiago service, which struggled to make a profit since introduction in 1993.

Canadian Airlines International withdraws from the oneworld alliance. The oneworld airlines continue to provide services to seven Canadian cities with 64 daily flights.

British Airways consolidates its leisure activities into one division, to offer an integrated range of leisure products sold through all distribution channels, including travel agents, tour operators, British Airways Telesales, Travel Shops and Britishairways.com.

British Airways renews its franchise agreement with GB Airways for a further eight years. The Gatwick-based carrier has been a franchise carrier since 1995.

May Three new Directors are appointed to the British Airways Board. Rod Eddington joins as Chief Executive. Martin Broughton, Chairman of British American Tobacco Plc. and Dr Martin Read, Managing Director and Chief Executive of Logica Plc, are appointed Non-Executive Directors. Sir Michael Angus, Non-Executive Deputy Chairman, will step down from the Board at the Annual General Meeting in July.

British Airways sells its 86 per cent shareholding in the parent company of Air Liberté to Taitbout Antibes BV. British Airways' net cash proceeds FF457 million (£40 million). Accounting rules require goodwill previously written off to be reinstated, leading to a loss on disposal of approximately £56 million. The net effect of the disposal is to increase reserves by £117 million, and eliminate the continuing trading losses of Air Liberté.

In conjunction with ten other major airlines, British Airways announces the creation of the first European, multi-airline, on-line travel agency. The new site will offer the public access to the most up-to-date fare information, including the airlines' lowest branded fares. Passengers will also be able to book hotels, car hire, insurance and other travel services through the site.

British Airways sells its 14.1 per cent stake in Hogg Robinson to the management buy-out consortium, leading to a £4.9 million profit on disposal.

British Airways rolls out a free on-line information service for leisure and business travel agencies. This will give the UK travel trade extranet capability, allowing the agent to view product and service information, special promotions, training information and an on-line service to enable agents to talk to the trade query centre.

April Six major world airlines, including British Airways, announce the formation of a company to create and operate an internet marketplace, linking airlines worldwide with sellers of airline-related goods and services. The company will handle approximately \$32 billion of the six airlines' supply chain business annually. The other founding member airlines are American Airlines, Air France, Continental Airlines, Delta Air Lines, and United Airlines.

British Airways announces it will transfer management of British Airways' flight booking, departure control, inventory, and related information systems to Amadeus.

British Airways teams up with GetThere.com, the leading supplier of internet-based business-to-business travel systems in the US, to launch a new on-line business travel management system. The private access website will be available to travel agents for their medium to small sized corporate clients and also to corporate customers who wish to book directly.

Following extensive consultation with trade bodies and UK travel agents, British Airways announces the payment levels for the agents' remuneration scheme, which in 2001 will replace the standard seven per cent commission payment. Payments are higher for longhaul than for shorthaul, and for full fare flexible tickets than restricted tickets to reflect the increased workload.

March Bob Ayling resigns as Chief Executive. Chairman Lord Marshall takes on the role temporarily.

British Airways completes its acquisition of 9 per cent of the shares in Iberia, at a total of Ptas41 billion (£155 million). If the price of the shares in Iberia offered through its public flotation is less, the sum paid by British Airways will be reduced accordingly.

British Airways and Cathay Pacific sign a code-share agreement, adding Cathay's CX code on British Airways' flights linking Heathrow with Belfast, Edinburgh, Glasgow, and Manchester.

February British Airways announces its e-business strategy, comprising e-Commerce, e-Working, e-Procurement, and e-Ventures. E-procurement is targeted to increase on-line purchasing in the UK from 25 per cent to 80 per cent by March 2002, saving more than £175 million on the airline's £3.7 billion a year purchasing spend. e-Working will transform the way the company carries out its business internally. e-Ventures includes three new on-line ventures, in which up to £100 million of investment is planned over the next two years. These are an on-line travel agency; a lifestyle portal; and a significant expansion of the on-line activities of Air Miles.

British Airways and QANTAS announce the introduction of new services between the UK and Australia. Together, the airlines' will offer four daily services between London and Sydney. QANTAS will also add a second daily service between Melbourne and London. Frequencies between Singapore and Perth will rise to 18 per week, with Singapore-Brisbane frequencies rising to 11 per week. These legs will be operated by QANTAS 767s and will offer more connections to London via Singapore. To support the new schedules, QANTAS will lease seven Boeing 767s, released as a result of the new British Airways fleet strategy.

The oneworld alliance announces the formation of a central management team to drive future growth and the launch of new customer services and benefits. It will be led by Peter Buecking, who will step down from his role as Sales and Marketing Director with Cathay Pacific Airways. As oneworld Managing Partner, he will report to the alliance's Governing Board, comprising the Chief Executives of the member airlines.

January British Airways announces plans for fundamental change to the way the airline works with UK travel agents following extensive consultation with agents and customers. The standard seven per cent commission payment will be replaced by a fee based structure, with charges paid for the basic service of making a booking, issuing travel documents and collecting the fare. Agents will be free to charge additional fees for any other services which customers require such as dedicated service desks and travel policy advice. Some fares will be adjusted to take this new scheme into account.

British Airways announces the introduction of a new cabin class, World Traveller Plus. This cabin will offer more space and facilities than World Traveller for a premium to the full World Traveller fare. Services between London and New York JFK will be fully embodied with both the Club World 'Lounge in the Sky', the world's first fully flat bed in business class, and World Traveller Plus by Summer 2000.

British Airways takes delivery of its first two Boeing 777 Extended Range aircraft.

British Airways completes the £17 million (R168 million) purchase of an 18.3 per cent shareholding in Comair, its franchise partner in Southern Africa.

British Airways agrees to sell Galileo UK to Galileo International Inc.

British Airways launches the world's first commercial interactive TV service offered by an airline. The service will appear within the interactive TV travel sections of the UK cable companies Cable & Wireless Communications, ntl and Telewest.

## 1999

December British Airways sells a second tranche of 1.1 million shares in Equant for £58 million profit. British Airways remains the beneficial owner of 2.1 million shares in Equant.

British Airways doubles hand baggage allowances on Club World to 18kg.

The British Airways London Eye, the world's biggest observation wheel, was activated by the Prime Minister on 31 December to mark the new millennium.

November British Airways and Aer Lingus sign a co-operative agreement to codeshare on 14 routes across the Irish Sea and to eight continental European destinations from March. Both airlines' frequent flyers will be able to earn and redeem miles on each other's networks. In December Aer Lingus is confirmed as the ninth member of the oneworld alliance.

British Airways and American Airlines file an application with the US DoT to codeshare on flights serving some 75 destinations in the UK, USA, Europe and Africa.

British Airways complete its purchase of CityFlyer Express. This follows approval from the Secretary of State for Trade and Industry, subject to undertakings, which were offered by British Airways during the Competition Commission's investigation of the transaction.

British Airways launches a new £25 million transfer baggage sorting system at Gatwick.

The first operation into London City Airport by an aircraft in British Airways' livery begins, when British Regional Airlines begin their 3 per day weekday operation from Sheffield.

October British Airways orders 12 new 100 seat Airbus 318s, with options to purchase 12 more.

British Airways and LAN Chile announce an agreement to co-operate further on air travel between the UK and Chile. Frequent flyer miles will be redeemable on each other's services, with further exploration into codeshare opportunities. The new benefits will begin in June, shortly after which LAN Chile will join the oneworld alliance.

British Airways announces that it is to increase services between Heathrow and Lagos, Nigeria, in conjunction with Nigeria Airways from three to six services a week.

September British Airways announces the disposal of 34 of its 53 Boeing 757s. The aircraft will be converted by Boeing into freighters for DHL. Deliveries will begin in July 2000. The airline also welcomes a new generation of aircraft with the arrival in Britain of its first Airbus A319.

The airline announces a £50 million programme of improvements to British Airways Club Europe, including faster check-in, and re-designed seats and interiors.

July British Airways and American Airlines re-affirm their commitment to developing their alliance, despite US DoT rejection of their application for anti-trust immunity for joint venture operations on North Atlantic routes. Both airlines envisage many opportunities to broaden the alliance in ways that do not require anti-trust immunity, both jointly and through the oneworld alliance.

The Irish Government endorse plans for the British Airways alliance with Aer Lingus. The two airlines plan to code-share extensively and offer reciprocal benefits to frequent flyers. In the longer term both companies intend to deepen the alliance, co-operating in many areas.

The European Commission rule against some of the airline's UK sales arrangements.

British Airways announces its intention to save a further £225 million (excluding one-off severance costs) in the current financial year to support profitability in a challenging trading environment. The main focus of the actions is on improving efficiency in support areas of the plans include a reduction of around 1000 staff in total by March 2000. A reduction of 300 managers (a 10 per cent cut) is targeted. Staff reductions are expected to be managed by voluntary means, the cost of which is expected to be in the region of £40 million.

The airline announces that it would suspend its own services between Heathrow and Basle, and codeshare with Crossair on that route.

British Airways announces plans for a £14 million upgrade to Concorde. The plans include new seats, new toilets, interiors, tableware and a new lounge at Heathrow.

June In line with its strategy of reducing the rate of capacity growth, the airline announces that it is to terminate the lease on one Boeing 767-300 as permitted under the lease agreement.



British Airways sells to Galileo International Inc its subsidiary that indirectly held 7,000,400 shares of Galileo International Inc. The disposal realised a profit before tax of £149 million.

British Airways sells its in-flight catering facility at Gatwick to ALPHA Catering Services for £14 million. In addition, ALPHA and British Airways enter into a new ten-year agreement for the supply of in-flight catering service at Gatwick and eight UK regional airports.

British Airways receives the Investor award for Best Investor Relations Website at the annual Investor Relations Magazine Awards ceremony.

May British Airways announces that it is developing radical new products that redefine longhaul business travel and set new benchmarks in comfort and design. The plans include improved Club World featuring completely flat beds, a new state-of-the-art entertainment system with bigger screens, in-seat power for lap top computers, e-mail, phones and fax.

Linea Aerea Nacional de Chile (LAN Chile) becomes the eighth member of oneworld.

British Airways and Royal Bank of Canada (RBC) announce the launch of British Airways Global Financial Services. The first in a range of innovative products is the Offshore Deposit Account available from June 1 and provided by RBC's international private banking arm.

British Airways officially opens its New World Cargo Centre fitted with state-of-the-art technology. Business is scheduled to transfer to the new facility progressively over the next 18 months, enabling an increased focus on higher-yielding loose freight and significant improvements to the customer offering. This should raise average yields and the new technology and working practices are expected to improve productivity by 30 per cent.

April The airline's last McDonnell Douglas DC10 aircraft leaves service as part of the new fleet strategy. The DC10 fleet has been sold and will be converted to cargo freighters.

British Airways launches an issue of Euro 300 million (approximately £200 million) fixed interest perpetual preferred securities. This is the first Euro dominated issue of its type by a non-financial UK business. The non-voting, cumulative preferred securities have no fixed maturity but may be redeemed by the issuer at any time after five years.

March Base Airlines of Holland becomes the airline's 10<sup>th</sup> franchise partner and will offer services between Eindhoven and Heathrow, Gatwick, Birmingham, Manchester, and Zurich.

British Airways and LOT announce additional codesharing and deeper frequent flyer integration. Combined Heathrow to Warsaw services will increase to 35 per week.

A High Court judgement confirms the right of airlines to freely exchange slots and that an exchange may be accompanied by financial consideration. The decision was made in the course of a Judicial Review that considered slot exchanges between British Airways and Air UK in 1997.

February British Airways confirms that it is to take a 9 per cent stake in Iberia Lineas Aereas de Espana SA as part of the Spanish airline's privatisation programme. The expected price will be in the region of £200 million with a maximum of £215 million. The final price will depend on a number of adjustments, such as the eventual value of Amadeus in which Iberia has a 29 per cent stake and which is planning an Initial Public Offering. American Airlines confirms that it will take a 1 per cent holding in Iberia. British Airways and American Airlines will have the right to appoint two directors to Iberia's 12 person board as well representation on all Board sub-committees. Iberia announces that it has accepted an invitation to join oneworld.

British Airways and Iberia sign a commercial agreement under which they plan to co-operate in a wide area of activities, including code-sharing on flights beyond the UK and Spain, reciprocal frequent flyer programmes, and common ground handling and cargo.

British Airways sells just under 30 per cent of its holding in Equant the telecommunications company for a profit of £49 million.

January British Airways and Japan Airlines (JAL) announce a deepening of their relationship. Members of the British Airways Executive Club and JAL's Mileage Bank will be able to earn and redeem miles on both international networks from June. The airlines also plan, subject to approvals, to code-share on JAL's daily service between Heathrow and Osaka from late summer.

## 1998

December Finnair becomes the first new recruit to oneworld.

British Airways opens its new Concorde Room at New York's JFK airport.

November The New York City Industrial Development Authority launches a \$115 million 34-year tax-exempt bond to assist in financing improvements to the British Airways terminal at JFK.

The first jumbo jet to join a British airline retires from British Airways service as part of the sale of the airline's fleet of 15 747-100s.

British Airways announces that it will not resume regional transatlantic services to New York from Glasgow and Birmingham for Summer 1999. Neither of the services operates in the winter season due to poor demand and financial performance.

British Airways launches a comprehensive range of new services and benefits for "World Traveller" passengers. New features include new seats with adjustable headrests and footrests and more knee room; and personal video screens for every passenger.

British Airways and QANTAS announce six new code-share routes with flights to Australia from Gatwick, Birmingham, and Manchester connecting over Paris or Frankfurt.

British Airways and Finnair announce codesharing on two daily British Airways flights from Heathrow to Glasgow and Edinburgh. The airlines also join their codes on four daily services between Birmingham and Helsinki, operated via European hubs, offering the most convenient connecting times. British Airways also adds its code to Finnair flights from Helsinki and Stockholm to Turku in Finland.

British Airways and Malev announce codesharing on services between Budapest and Birmingham and Manchester. The code-share flights operate via Frankfurt, which Malev serves from Budapest twice daily, where passengers can connect to British Airways' three daily flights each to Manchester and Birmingham.

October On the third day of open skies discussions between the UK and US, the US negotiators call an end to the discussions. The US DoT also postpones evidentiary hearings. British Airways and American Airlines continue to press for approval of their proposed alliance on commercially acceptable terms, but reiterate that the terms of the EC proposal are too harsh.

British Airways and Emirates sign a code-share agreement covering selected flights between Britain and the United Arab Emirates. Subject to Government approval, from December British Airways' flights between Heathrow and Abu Dhabi will carry Emirates' EK code, and Emirates services between Manchester and Dubai will bear the BA prefix.

British Airways and LOT further extend their codesharing to their six weekly flights between Krakow and Gatwick. At the same time, LOT moves its operations from Gatwick's South Terminal to the North Terminal. The agreement is supported by a link-up of mileage award programmes, enabling frequent flyers to earn and redeem miles on the code-shared flights.

September American Airlines, British Airways, Canadian Airlines, Cathay Pacific Airways and QANTAS Airways announce new the oneworld global alliance. From early 1999, the five airlines will together phase in a wide range of initiatives designed to provide greater customer benefits, including more information and support, greater value and increased opportunities for rewards and recognition.

British Airways and Nigeria Airways announce an agreement over services between London and Lagos, which has the approval of the UK and Nigerian authorities. A three times a week B747-400 service will be operated by British Airways in co-operation with Nigeria Airways.

August The Secretary of State for Trade and Industry publishes the advice of the Director General for Fair Trading, which sets out the basis on which he would recommend approval of the alliance with American Airlines. His advice includes the making available of 250 slots at Heathrow and Gatwick and the suggestion that slots might be sold.

British Airways orders 59 aircraft in the Airbus A320 family with options on a further 129. The airline also orders 16 Boeing 777s, with options on a further 16, whilst cancelling 5 firm orders and 7 options for Boeing 747-400s. The airline announces in September that Rolls Royce has won the contract to supply the engines to power the new Boeing 777s.

British Airways announces that it will suspend services to Osaka as a result of worsening passenger demand and the continued fall in the value of the Japanese yen.

British Airways and Malév Hungarian Airlines begin codesharing on Malév's services between Gatwick and Budapest. Members of both airlines' mileage programmes are also able to earn and redeem miles on the code-share flights.

July The European Commission (EC) publishes its draft remedies on the proposed alliance between British Airways and American Airlines. The draft opinion says that the Commission intends to approve the alliance provided that certain conditions are fulfilled.

British Airways announces a codeshare agreement with LOT Polish Airlines covering eight weekly flights between the UK and Poland from August. Frequent flyers will be able to earn and redeem miles on the code-share flights.

British Airways resumes services to Nigeria after a break of 14 months. The move follows the Nigerian Government lifting a ban on all UK-registered aircraft from operating to Nigeria.

- British Airways announces a further realignment of capacity in the Asia-Pacific region. From October, flights between Jakarta and London decrease from six to two a week. A new route connecting the UK and Australia via Kuala Lumpur will be opened up, with QANTAS coming off the Kuala Lumpur to Sydney leg. British Airways also announces a 14<sup>th</sup> weekly flight between London and Tokyo.
- June British Airways and Canadian Airlines expand their codesharing to include new flights between London and Ottawa and an additional daily service between London and Toronto.
- May The High Court refuses easyJet's request for an injunction against 'Go', British Airways' new low-cost airline. 'Go' operates its first flight from London Stansted to Rome as planned.
- The US Department of Justice (DoJ) issues its advice to the US Department of Transportation (DOT) on the suggested remedies for anti-trust immunity for the proposed alliance between British Airways and American Airlines. The DoJ suggests that sufficient slots be made available at Heathrow for 14 new daily services to the US to remedy the competition aspects of the alliance. In a separate matter not directly related to the proposed alliance, the DoJ also suggests that a further 10 weekly slot pairs be made available to US carriers to remedy what it sees as a disadvantageous position as a result of the existing bilateral air services agreement between the UK and the USA.
- April British Airways and QANTAS announce an expansion of their co-operation on the "kangaroo route", with the launch of code-sharing services via Bangkok.
- Manchester Airport's new £75 million terminal - named *Terminal 1 British Airways* - is officially opened. The new terminal, funded largely by Manchester Airport Plc, is capable of handling up to six million passengers a year and enables all British Airways domestic and international flights - and those of its partners - to be brought together under one roof, offering a minimum connection time of just 30 minutes for transfer passengers.
- February British Airways announces its link up with Finnair with codesharing on 15 return flights a day between London and Helsinki as well as Stockholm, effective from March. Deutsche BA will also code-share with Finnair from March on seven routes. As well as codesharing, the agreement will enable frequent flyers to earn and redeem miles on each other's networks.
- January British Airways opens a new business centre at the Club Europe lounge in Terminal 1. It is equipped with personal computers, modem connections for laptop computers, faxes, phones and printers, photocopying and scanning facilities.
- British Airways introduces electronic ticketing on international routes. It is available on all routes between the UK and Germany and on all internal German routes with Deutsche BA.
- 1997
- December British Airways sells its Heathrow catering production units to Gate Gourmet, part of the SAir Group. The 1200 staff transfer to Gate Gourmet.
- A US Court throws out most of the claims in a lawsuit against the airline by US Airways.
- November British Airways announces that it is to introduce a new reward scheme in the UK and US for travel agents. The airline is also modifying its commission structure in other markets.
- British Airways confirms that it is to launch a new low-fare, no-frills airline, which will start flying in Europe in early 1998. The new airline will operate as a separate business with its own name, identity, management and employees.
- September British Airways and the Transport and General Workers Union announce the settlement of the cabin crew dispute. The agreement secures the £42 million annual savings targeted from cabin crew as part of the Business Efficiency Programme. It also paves the way for a new relationship between the airline and the unions representing its cabin crew.
- British Airways announces the sales of its Landing Gear business to Hawker Pacific Inc. and its Wheels and Brakes business to AlliedSignal Aerospace.
- British Airways announces extensions of the relationships with QANTAS and with Canadian Airlines with further codeshares added.
- August British Airways Engineering announces a strengthened focus on maintaining British Airways' own aircraft. It will continue to sell services to other operators, but on a more selective basis. This results in a streamlined organisation and a reduction of 450 managerial and support jobs.
- July British Airways extends its network in Australia with code-shares on certain QANTAS domestic flights, and QANTAS extends its network in the UK and Europe by codesharing on certain British Airways flights from Heathrow.
- Some of the cabin crew workforce at the airline hold a three-day strike. Talks between British Airways, the

	<p>Transport and General Workers Union, and the British Airlines Stewards and Stewardesses Association aimed at resolving the dispute progressed.</p> <p>British Airways sells 45.7 per cent of its holding in Galileo International for net proceeds of US\$136.8 million.</p> <p>British Airways announces that it has agreed a memorandum of understanding with Iberia that commits the two airlines to discussing a co-operation agreement.</p>
June	British Airways unveils its new corporate identity.
May	<p>British Airways sells its investment in USAirways, realising total proceeds of US\$625 million.</p> <p>Members of the Cabin Crew 89 union at British Airways vote overwhelmingly in favour of proposals that include pay restructuring and lower starter rates.</p>
April	<p>The airline announces a streamlining of its Engineering department. Plans include disposal of the Wheels &amp; Brakes and Landing Gear overhaul units, outsourcing the management of the department's IT systems, establishing the parts supply organisation as a profit centre, and a new £20 million Pneumatics and Hydraulics workshop.</p> <p>British Airways and Canadian Airlines International announce an expansion of their codesharing to all flights from London to Toronto and Vancouver.</p>
March	<p>British Airways and American Airlines link their frequent flyer programmes enabling members to "earn and burn" on each other's networks excluding transatlantic services.</p> <p>The airline transfers its Ground Fleet Services vehicle maintenance business at Heathrow and Gatwick to Ryder plc on a five-year contract.</p> <p>British Airways announces a US\$100 million investment to improve facilities for passengers travelling to and from New York. The project includes expanding the airline's terminal at JFK, major new road access to the building and new premium passenger facilities at Newark.</p>
February	<p>British Airways and British Mediterranean Airways announce a new franchise partnership on routes between Britain and the Levant.</p> <p>British Airways announces a £250 million investment in a new World Cargo centre at Heathrow.</p> <p>The airline announces that it is to combine its general accounting activities at a new Global Accounting Centre at Ruislip, which will result in a reduction of 290 jobs over three years.</p>
January	<p>British Airways and American Airlines submit a joint application to the US Department of Transportation, requesting formal approval of their alliance. The application requests anti-trust immunity which would permit the two carriers to co-ordinate their activities between the US and Europe, and introduce extensive codesharing across each other's networks.</p> <p>Deutsche BA introduces major changes on its domestic routes including an expanded network, simplified pricing and a standard on-board service with a single class product.</p>
<u>1996</u>	
December	<p>British Airways gives notice of its intention to sell all of its shares in USAir and in January announces the resignation from the Board of USAir of its three nominated directors.</p> <p>The President of the Board of Trade announces that the alliance between British Airways and American Airlines should be approved without referral to the Monopolies and Mergers Commission if suitable undertakings are given. The undertakings include the two airlines making available up to 168 weekly slots (equivalent to 12 slot pairs a day) at Heathrow for use exclusively on UK-US services. These slots would be made available over a phased period with some of the slots being leased to other carriers until competitors obtained slots of their own through normal channels.</p>
November	The airline announces a restructuring of its Passenger Revenue Accounting Department, which will result in a reduction of 600 UK jobs through automation and work to be contracted to World Network Services, a new development based in India.
October	<p>British Airways submits a bid, in conjunction with Paris-based Groupe Rivaud, to offer to invest FFr 630 million of share capital in Air Liberté.</p> <p>Deutsche BA (DBA) and Regional Airlines of France the sale of DBA's turboprop activities to the French company, freeing DBA to concentrate on its core jet operations.</p> <p>British Airways announces a £10 million a programme of improvements to its UK domestic services. The programme includes more frequencies, more capacity, more lounge space and new electronic ticketing and self-service machines for speedier check-in.</p>

	<p>USAir serves notice to end its code-share and frequent flyer relationship with British Airways with effect from 29 March 1997.</p> <p>Under a franchise arrangement with British Airways, the Airlines of Britain Group will take over six loss making routes serving Orkney, Shetland and the Western Isles.</p>
September	<p>British Airways announces the closure of its Contract Handling unit, which carries out ground handling for other airlines at Heathrow. All 750 staff are offered the choice of voluntary redundancy and severance payments, or redeployment and retraining.</p>
August	<p>The European Commission approves British Airways' purchase of the remaining 50.1% of the share capital of its French partner TAT European Airlines.</p> <p>British Airways announces that from March 1997, British Airways' services to Faro, Malaga, and Porto will be operated by GB Airways as a British Airways franchise.</p>
July	<p>British Airways announces it is to switch its Latin American services from Heathrow to Gatwick from March 1997.</p> <p>A threatened strike by members of the pilots union, BALPA, is averted.</p>
June	<p>British Airways and American Airlines announce plans for a broad alliance. From April 1997, the two airlines plan to co-ordinate their passenger and cargo activities between Europe and the USA, introduce extensive codesharing across each other's networks and establish full reciprocity between their frequent flyer programmes.</p> <p>The airline signs a franchise agreement with the South African regional airline Comair, starting from October.</p>
May	<p>The airline announces the Business Efficiency Programme for the three years from 1997/8 worth £1 billion.</p> <p>Canadian Airlines International and British Airways announce codesharing on selected routes and reciprocal frequent flyer programmes.</p> <p>British Airways announces its first franchise agreement with a company based outside the UK. Sun-Air, the Danish regional airline will fly as British Airways Express from August on a network linking with British Airways at Copenhagen, Oslo, and Stockholm.</p>
April	<p>The airline announces a code-sharing agreement with America West, enabling British Airways Gatwick-Phoenix passengers to fly on to some America West destinations.</p>
January	<p>Bob Ayling becomes Chief Executive of British Airways Plc. Sir Colin Marshall continues as Chairman, but on a non-executive, part-time basis.</p> <p>British Airways confirms that it would not be exercising its rights to subscribe for additional preference shares in USAir.</p>
<u>1995</u>	
November	<p>United Airlines announces it will not pursue talks on the possibility of acquiring USAir.</p> <p>British Airways takes delivery of its first Boeing 777.</p>
October	<p>British Airways and QANTAS commence services on the "kangaroo route" between Europe and Australia under the joint services agreement between the two airlines.</p>
September	<p>British Airways announces a £500 million three-year plan to revolutionise air travel. The programme kicks off with the re-launch of Club World and Executive Club frequent flyer programme. A completely new First Class service, renamed First, will lift off in the winter, with every other cabin then following suit.</p> <p>USAir reports preliminary conversations with both American Airlines and United Airlines concerning possible strategic relationships up to and including the acquisition of USAir. British Airways says it will evaluate a number of options in relation to its investment in USAir and the airline's future alliance strategy in North America.</p>
July	<p>Trading in QANTAS shares commences on the Australian Stock Market.</p>
June	<p>HM Government reaches agreement with the US Government on a new "mini-deal" annex to the Bermuda 2 air services agreement, which secures US approval for British Airways' outstanding codeshare requests, and confirms that the airline may operate a double-daily service from Heathrow to Philadelphia. Under the agreement, the US DoT approves applications to add 57 codeshare points to the 65 previously approved.</p> <p>British Airways announces the transfer of eleven weekly Central and East African services to Gatwick in Spring 1996. The transfer will release slots and terminal capacity at Heathrow for the launch of additional intercontinental services.</p>

March	British Airways sells its charter airline subsidiary Caledonian Airways, including its fleet of five Lockheed TriStar aircraft, to Inspirations plc.
	British Airways and BAA plc restructure leases covering 224 acres at Heathrow, giving the airline security of tenure on its core maintenance base for 150 years.
January	Eight additional destinations are added to the British Airways route network as Manx Airlines Europe becomes a franchise operator.
<u>1994</u>	
December	GB Airways, 49 per cent owned by British Airways, announces that from February 1995 it will operate scheduled services as a franchisee in British Airways livery.
September	British Airways launches its new Club Europe brand, with a £70 million package of improvements including new seats, lounges at key business destinations throughout Europe, telephone check-in, Fast Track through passport and security checks at Heathrow's Terminal 1, better food, and a choice between a snack and a full meal.
August	British Airways and QANTAS announce a much greater level of co-operation on services between Europe and Australasia. The airlines will co-ordinate scheduling, sales and marketing on their 35 weekly Boeing 747-400 kangaroo route services and the QANTAS network of Boeing 767 services between Australia, Singapore and Bangkok.
June	British Airways announces changes on services to the Caribbean from Gatwick, including discontinuing the under-utilised First Class to provide more Club World seats.
April	British Airways and Loganair announce plans to protect loss-making Scottish routes with British Airways redeploying resources on strengthening cross-border routes. Loganair will enter into a franchise arrangement to provide services on several Scottish routes in British Airways Express livery from July.
March	British Airways launches "World Offers" fares to more than 50 destinations, cutting prices by an average of a third, to sell seats that would otherwise probably be unsold.
January	The US Department of Transportation (DoT) approves British Airways and USAir codesharing to 65 destinations across the USA until March 17, 1994. In March the DOT renews approval for one year and says it will not act on British Airways' application to extend these arrangements to further destinations.
<u>1993</u>	
December	The airline opens a new £23 million avionics facility in South Wales, which will create some 375 jobs by October 1994. The new workshop will be capable of handling over 130,000 avionic components a year, more than double the workload at Heathrow, with a three day turnaround compared with the industry norm of up to 28 days.
August	As a result of redeployment of aircraft in the fleet and the airline's drive to improve utilisation, the last four Boeing 737-400 aircraft due for delivery (in the period September - December 1993) will be placed into storage pending disposal.
July	British Airways announces a new marketing agreement with CityFlyer Express. From August the airline operates all scheduled services under the name British Airways Express, with British Airways' livery, uniforms and service standards. The agreement, for an initial five years, is designed to increase feeder traffic at Gatwick to the benefit of both airlines.
June	British Airways launches daily flights between Gatwick and Pittsburgh using a USAir B767 in British Airways livery and staffed by USAir crews in British Airways uniforms. Similar services are launched to Baltimore in October and Charlotte in January 1994.
	British Airways Maintenance Cardiff (BAMC), the new £70 million aircraft maintenance base at Cardiff-Wales Airport, is formally opened.
May	British Airways raises approximately £442 million, net of expenses, by way of a Rights Issue on the basis of one New Ordinary Share for every four Ordinary Shares. Acceptances are received in respect of 92 per cent of the shares offered.
	British Airways and Maersk Air of Denmark announce a conditional agreement to each inject £6 million into The Plimsoll Line to enable it to meet its outstanding debts and restructure. Brymon Aviation and Plymouth City Airport will become wholly owned British Airways subsidiaries and Maersk Air Ltd (formerly Birmingham European Airways) will become a wholly owned subsidiary of Maersk Air. Following approval to the restructuring by Office of Fair Trading, British Airways announces in August that flights operated by Brymon and Maersk Air Ltd are to fly in the colours of British Airways.
April	In conjunction with USAir's sale of 10 million shares of common stock, British Airways exercises its right under

the investment agreement of January 1993 to invest US\$101 million additional preferred stock to maintain its 24.6 per cent holding in USAir.

Fast Track, a dedicated channel for premium passengers opens at Heathrow Terminal 4, providing a fast service from check-in to the departure lounge.

TAT European Airlines commences operations from Gatwick's North Terminal.

- March British Airways purchases a 25 per cent stake in QANTAS.
- The US Government approves British Airways' alliance with USAir, with clearance for the normal period of one year for codesharing and wet-lease operations. The two airlines commence in May a phased programme of codeshare flights to 38 cities.
- British Asia Airways, a wholly owned subsidiary, inaugurates direct services between the UK and Taiwan.
- February Lord King retires as Chairman and becomes the first President of British Airways. The Board appoints Sir Colin Marshall as Chairman and Robert Ayling as Group Managing Director.
- January British Airways announces a new alliance with USAir, including an immediate investment of US\$300 million (£198 million) by British Airways in new convertible preferred shares in USAir for an initial 19.9 per cent voting interest. The agreement gives British Airways options over the next five years to invest up to a further US\$450 million in preferred shares in USAir in two tranches if financial and regulatory conditions permit. Commercial arrangements announced simultaneously cover codesharing on USAir flights in the USA, and the launch by British Airways of three new transatlantic services using USAir crews and aircraft leased from USAir. Both parties intend to explore other areas in which they will be able to work together to their mutual benefit.
- British Airways pays £610,000 in settlement of a libel action brought by Mr Richard Branson and Virgin Atlantic Airways Limited.
- 1992
- November British Airways acquires for £1 the assets of the holding company for Dan-Air.
- September British Airways announces it will acquire a 49.9 per cent share in TAT European Airlines (TAT) for £17.25 million, subject to adjustment at the time of completion (January 1993).
- July British Airways and USAir Group Inc. announce an agreement to forge links through an investment by British Airways of US\$750 million in convertible preferred shares in USAir. The transaction is conditional upon obtaining the necessary regulatory and legal consents and the approval of USAir shareholders. The agreement was terminated in December after the US Government indicated the transaction would not be approved without unwarranted and unilateral concessions by the UK Government under the two countries' bilateral air services agreement.
- Lord King announces he is to step down as Chairman in July 1993 after 12 years.
- March British Airways Regional, a new business to run and improve the profitability of services from Birmingham, Manchester and Scotland, is announced.
- Deutsche BA, the company formed by a consortium of German Banks and British Airways, announces the acquisition of the German regional airline, Delta Air.
- February The airline agrees the sale of its property maintenance branch to Drake and Scull.
- January A three-year plan to restore the airline's Gatwick operation to an acceptable level of profitability is announced.
- 1991
- October Boeing 737-400 enters service.
- August The airline orders 15 Boeing 777 aircraft powered by General Electric GE90 engines with a further 15 options. The aircraft form part of a £4.3 billion package, including orders and options for 24 Boeing 747-400s and 11 British Aerospace ATPs.
- British Airways agrees in principle to sell the business previously carried on by British Airways Engine Overhaul Limited to General Electric of the US for around £272 million.
- July An agreement is signed to begin work on setting up a new international airline based in Moscow to be known as Air Russia. British Airways would have a 31 per cent stake.
- March A campaign designed to bring back traffic after the Gulf War is spearheaded by "The World's Biggest Offer" to give away free every seat on international services on 23 April.
- February Losses of 4,600 jobs, through early retirement and severance, and the standing down on half pay for up to a

year of a further 2,000 employees are announced because of the significant downturn in traffic following the outbreak of the Gulf War.

- January World Traveller and Euro Traveller brands are introduced.
- 1990  
February Boeing 767 enters service.
- 1989  
December Agreement is reached to acquire a 20 per cent shareholding in Sabena World Airlines. Other partners in the joint venture are Sabena and KLM. The UK Monopolies and Mergers Commission approve the proposal in July 1990, but the European Commission issues a statement of objection, requesting further information, in June 1990. The three partners eventually decide not to proceed with the plan in December 1990.
- October Shareholders approve a 15 per cent investment in United Airlines. The bid was withdrawn when other partners in the planned buy-out failed to raise financing.
- September Super Shuttle re-launched.
- July Boeing 747-400 enters service.
- March New First Class service introduced.
- January BAe Advanced Turbo-Prop (ATP) enters service.
- 1988  
April British Airways and British Caledonian (Bcal) merge.  
British Airtours Ltd renamed Caledonian Airways Ltd.
- March British Airways services at Gatwick transfer to the new North Terminal.
- January New Club World and Club Europe brands introduced.
- 1987  
December British Airways and United Airlines announce a worldwide marketing partnership.
- February Trading in British Airways shares begins on 11 February.



## BOARD MEMBERS

As at 1st January 2007

### **Martin Broughton (59)**

*Non-executive Chairman and Chairman of the Nominations Committee*

Non-executive director since May 2000, Deputy Chairman from November 2003 becoming Chairman in July 2004. President of the CBI. Chairman of the British Horseracing Board. (D)

### **Willie Walsh (45)**

*Chief Executive*

Joined British Airways and the Board in May 2005 as Chief Executive Designate, succeeding Rod Eddington as Chief Executive on 1 October 2005. Willie is a non-executive director of Fyffes plc and an honorary Board Member of Flight Safety International. He is Branch President of the Heathrow Branch of the Royal Aeronautical Society, an honorary Member of The Aviation Club and a Member of the Chartered Institute of Logistics and Transport (UK).

### **Keith Williams (50)**

*Chief Financial Officer*

Joined British Airways in 1998. Previously Group Treasurer and became Chief Financial Officer on 1 January 2006. He is a Chartered Accountant.

### **Maarten van den Bergh (64)**

*Senior Independent Non-Executive Director*

Joined the Board in July 2002. Chairman Akzo Nobel NV and Deputy Chairman of BT Group. Non-executive director of Royal Dutch Shell PLC. Dutch Co-Chairman of the Apeldoorn Conference. (B,C,D)

### **Dr Martin Read (56)**

*Non-Executive Director and Chairman of the Remuneration Committee*

Joined the Board in May 2000. Group Chief Executive of LogicaCMG plc. (C,D)

### **Alison Reed (50)**

*Non-Executive Director and Chairman of the Audit Committee*

Joined the Board in December 2003. Trustee of Whizz-Kidz. (A,C)

### **Baroness Kingsmill (59)**

*Non-Executive Director*

Joined the Board in November 2004. Entered the House of Lords in 2006. Until December 2003 chaired the Department of Trade and Industry's accounting for people task force and was deputy chairman of the Competition Commission. Senior Advisor to The Royal Bank of Scotland. (A,B,D)

### **Ken Smart (60)**

*Non-Executive Director and Chairman of the Safety Review Committee*

Joined the Board in July 2005. Until April 2005 he was the UK's Chief Inspector of Air Accidents and Head of the Air Accidents Investigation Branch at the Department for Transport. Trustee of the UK Confidential Human Factors Incident Reporting Programme and Visiting Professor at Cranfield University. Member of the Flight Safety Foundation Board of Governors. (A,B)

### **The Rt Hon Baroness Symons (55)**

*Non-Executive Director*

Joined the Board in July 2005. Senior member of the House of Lords. She has served as a Minister in the Foreign and Commonwealth Office, the Ministry of Defence and Department of Trade and Industry and was Minister of State for the Middle East and Deputy Leader of the House of Lords until she resigned from the Government in May 2005. (A,B)

### **Chumpol NaLamlieng (59)**

*Non-Executive Director*

Joined the Board in November 2005. Member of the Board of Directors and Chairman of the Management Advisory Committee of the Siam Cement Public Company Limited, non-executive Chairman of Singapore Telecommunications Ltd. and Advisor to the Board, The Siam Commercial Bank Public Co. Ltd. (A,B)

### **Jim Lawrence (54)**

*Non-Executive Director*

Joined the Board in November 2006. Vice Chairman of General Mills, Inc. Member of the Board of Avnet, Inc. Serves on a variety of Boards at the University of Minnesota including the Board of Overseers of the Carlson School of Business and the University of Minnesota Foundation Investment Advisors. Also serves on the Board of Allina Hospitals and Clinics. (A,B)

The letters in brackets indicate membership of the following standing committees of the Board:

(A) Audit Committee, (B) Safety Review Committee, (C) Remuneration Committee, (D) Nominations Committee.

## LEADERSHIP TEAM

*As at 1<sup>st</sup> February 2007*

Willie Walsh (45)  
Chief Executive

Keith Williams (50)  
Chief Financial Officer

Robert Boyle (42)  
Commercial Director

Paul Coby (51)  
Chief Information Officer

Captain Lloyd Cromwell Griffiths (61)  
Director of Flight Operations

Roger Maynard (63)  
Director of Investments & Alliances

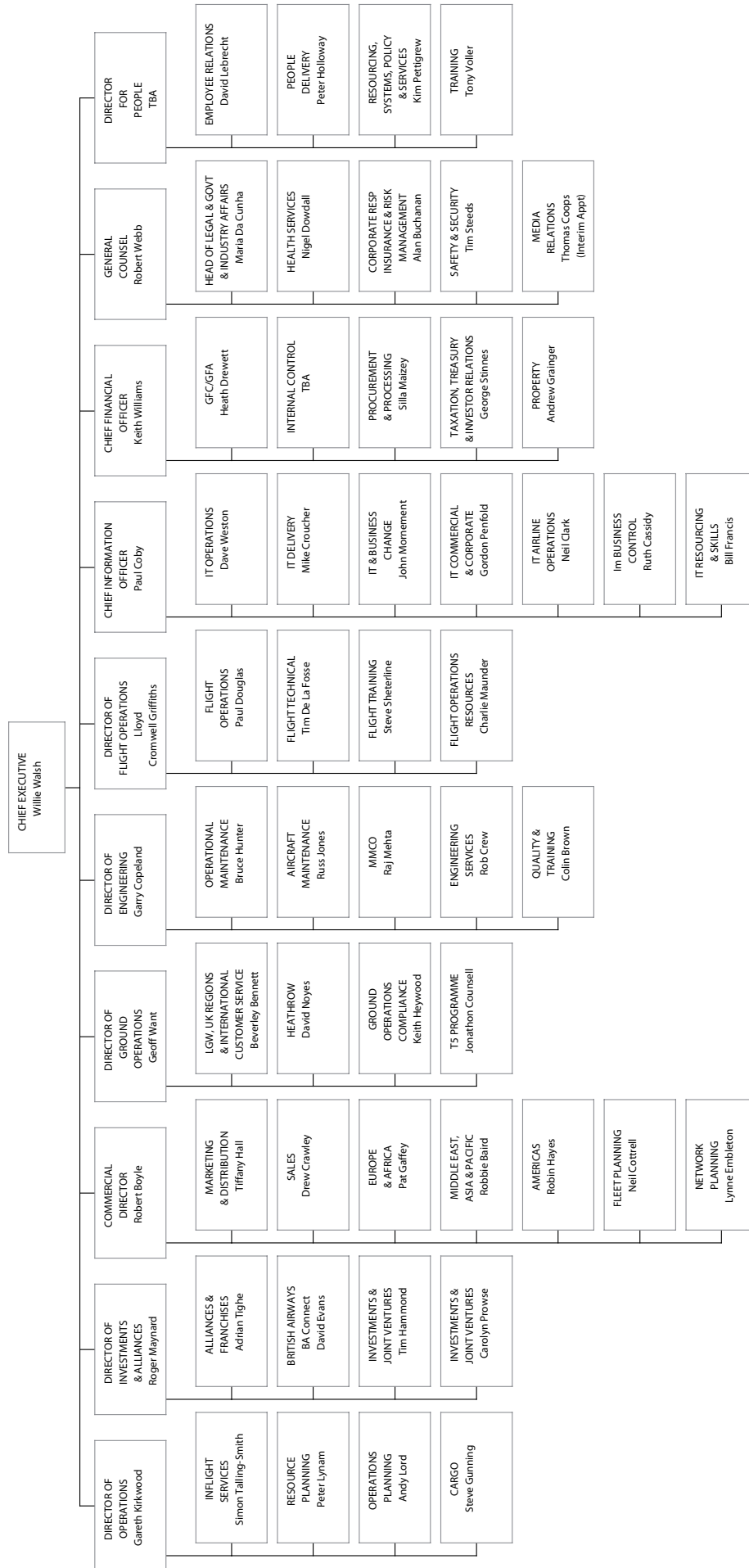
Garry Copeland (47)  
Director of Engineering

Geoff Want (54)  
Director of Ground Operations

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# BRITISH AIRWAYS MANAGEMENT TEAM FEBRUARY 2007



## EMPLOYEES

The motivation and commitment of employees remains key to the success of British Airways.

Employee ownership in the company is encouraged. As at January 2007, some 40 per cent of employees owned 1.16 per cent of the company's ordinary shares. The last Sharesave plan was launched in 2000 and matured in 2003. It is unlikely that a new plan will be launched in the near future. Recent changes in accounting standards could substantially increase employee costs. The company has gained shareholder approval to operate any aspect of the new all employees Share Incentive Plan (SIP). The Company has appointed Computershare Investor Services to administer the SIP but there is currently no time-scale for the launch.

British Airways actively promotes equality and diversity in all areas of employment across the Company. A clear business case and strategy is in place and focuses on creating an inclusive culture that understands and respects the individual differences of our employees and customers.

This year saw the implementation of the Employment Equality (Age) Regulations 2006, which was a complex piece of employment legislation. It introduced a concept of Intended Retirement Date allowing employees to continue working until age 65 and also a process to make a request to continue working beyond age 65. This was a major change for many of our people, particularly Flight Crew and Cabin Crew, who had previously had a contractual retirement date of 55. We also audited all our employment processes and policies to ensure they were compliant and invested in training for our managers to raise awareness. The impact of these changes may not be felt immediately but will signal a change towards different demography in the future.

The integration and cohesion of Diversity and Inclusion continues in all parts of our business. July 2006 saw British Airways sponsor Europride, one of the leading gay and lesbian festivals. British Airways also featured in the Workplace Equality Guide published by Stonewall for the third year running. The guide recognizes the top 100 employers for gay and lesbian employees.

We signed a partnership with representatives from our four main unions to work together on Dignity at work issues. Amicus and the Department of Trade and Industry sponsor this work. The work covers all aspects of potential harassment and bullying in the workplace including the impact of behaviour and role modelling and a review of process and policy. The group will recommend and implement solutions during 2007.

Another priority for 2007 is integrating changes arising from the Work and Families Act. This includes changes to maternity provision and introduces the concept of the right to request flexible working for elder care. Twenty five percent of all employees already work part time and greater flexible working can offer benefits to both employees and to the business.

British Airways places great emphasis on 'Investing in its people' and training is seen as integral to this. It ensures that all staff are trained and competent to deliver a safe and secure service that fulfils the airline's customer proposition. Mandatory training includes safety and operational programmes for air and ground staff to meet Joint Aviation Requirements, including refresher training to ensure that competencies are kept up to date. In addition to the equal opportunities and diversity courses in support of the policy described above, health and safety courses are mandatory for all managers, and British Airways also focuses on training in good people management including effective performance management and personal capabilities.

The airline updates its training programmes to meet changing regulations and also to reflect more effective and efficient learning methods. As well as classroom and workshop training, employees have access to over 300 eLearning courses available through the company intranet. This flexible form of learning provides courses 24/7, covering a huge range of subjects including a wide range of management and personal effectiveness skills, technical training particularly for IT staff and mandatory training for operational staff. The airline's Cranebank centre, near Heathrow, is one of the largest airline training establishments in the world. Its flight crew unit houses 15 full flight simulators plus further sophisticated flight-training devices.

The company has a comprehensive internal communications programme to ensure employees are well informed about the business and the airline industry. The chief executive, Willie Walsh, hosts monthly briefings for managers from across the business to share information on company strategy and business issues. This information is then communicated through departmental forums thereby ensuring that each part of the business understands the company's goals and the part they play in delivering them.

To keep everyone in the airline updated on a regular basis, a staff newspaper, BANews, is issued free each week to staff across the globe. There is also a series of publications that address the local departmental issues.

Company email is also used to communicate corporate announcements and urgent operational or business news. In addition, a short document known as the Weekly Brief summarises three or four pieces of key business information each week and is circulated to managers in the airline to help them conduct staff briefings.

BANewsinteractive, an online news and communication service available through the staff intranet, delivers an immediate source of breaking news and in-depth briefings giving instant access to employees worldwide. An interactive element enables staff to express their views through opinion polls and a weekly talking point.

Details of the airline's financial results are communicated to staff at the same time as briefings for the City analysts. Staff have the opportunity to attend face-to-face forums to discuss the results and the information is also made available via the intranet and BA News.

The company aims to increase employee involvement in order to motivate people to deliver a significant business change agenda and to continuously improve business performance and customer service. In order to achieve these things it is recognized that everyone in the airline must have a shared view of business challenges and opportunities and must be able to feel that these are relevant to the role they play. A strong focus has therefore been placed on employee involvement.

As a key part of BA's comprehensive internal communication programme, an emphasis is being placed on face to face communication and investment is being made in training for the people managers and supervisors who deliver this day to day. To date 350 people managers have attended the new face to face communications training course. A programme is also underway to increase the visibility of key leaders in the business by supporting them in getting out into the business on a regular and, often, informal basis. This gives employees the opportunity not just to put faces to names but also to chat informally to leaders from parts of the BA business other than their own.

Regular feedback is solicited from BA employees through a formal Employee Feedback Programme and the output and actions that result from this shape and drive the direction and emphasis of the work on employee involvement. There is extensive work about Leadership and Performance Management in the business, which is directly connected to research conducted with employees in September 2006.

The involvement of employees is being increasingly worked into the way communication is managed. For example, recent discussions about the pensions deficit with NAPS members aimed to involve people in discussion rather than simply 'briefing' or 'telling' them about the situation. Feedback from the discussion sessions suggests that this approach has been very effective.

The airline also seeks to deliver a permanent step change in employee and trade union involvement and is therefore closely aligning the employee involvement objectives, strategies, and plans with those of the Industrial Relations Change Programme.

In 2003 British Airways embarked on a joint initiative with its recognised Trade Unions called the Industrial Relations Change Programme. This long-term programme is designed to strengthen links between the airline and the Trade Unions and to develop better ways of working together. There have been three key developments through 2006 building on the ongoing success of the one-day Introduction to IR course.

Effective Industrial Relations Skills; A two-day practical orientated course designed for managers, supervisors and trade union representatives. There are also modules designed to meet specific departmental relationships and issues.

New Industrial Relations Intranet site; This site has been developed for use by both managers and trade union representatives and gives details on industrial relations support and learning.

Communication between the company and the Trade Unions representing employees is important and the Executive Management team meets regularly with the British Airways Trade Union Council (BATUC) to provide a business update. British Airways' relationship with the Trade Unions is managed through a network of negotiating and consultation forums, to support the effective management and communication of change.

A large number of British Airways UK employees are members of Trade Unions, approximately 70%. In the UK the following Trade Unions are recognised by British Airways: Amicus, BALPA, the GMB and the TGWU (Transport & General Workers Union).

This year British Airways has strengthened its on-line capability for recruitment. The company's recruitment website, britishairwaysjobs.com, has been instrumental in maintaining a strong on-line recruitment presence, and all external applications are now made on-line - in total 15,000 since April 2005. The new recruitment system provides a convenient way for candidates to find out about career opportunities with British Airways, facilitates quick and reliable communications with candidates, and also places more control of the process in the hands of the applicants - for example booking their own interview times on-line. This system has also now been rolled out for all internal recruitment, which will deliver efficiency and consistency improvements to the process. All UK internal vacancies are now managed on-line through the system.

Careerlink is our dedicated service for redeployees, based at The Rivers. Careerlink offers a range of products and services for individuals and line managers who are facing change and need to consider career transition within or outside British Airways. Individuals who are seeking internal redeployment, outplacement support after taking early retirement / voluntary severance or considering alternative employment for health reasons may attend job search related workshops and have access to professional one to one career counselling. A sustained effort through 2005 has seen the numbers of redeployees fall to the lowest level for five year.

The British Airways staff intranet facility provides valuable job search tools to employees throughout the company as well as access to all current internal vacancies.

In 2005/06 the average number of employees decreased to 49,957. Of these, 42,963 were employed in the United Kingdom and 6,994 overseas. Productivity increased to 462,500 ATKs per employee for the Group.

## GROUP EMPLOYEE NUMBERS AND COSTS

For the year ended 31 March 2006

	UK	Overseas	Group number	
			2006	2005
			Total	Total
Average number of employees in the Group worldwide during the year:	42,963	6,994	49,957	50,326
<i>£ Million</i>				
The aggregate payroll costs of these employees were as follows:				
Wages/salaries			1,558	1518
Social security costs			161	154
Contributions to pension schemes			248	200
Other post-retirement benefit costs			4	3
			1,971	1,875

## GROUP EMPLOYEE NUMBERS AND PRODUCTIVITY

For the eight years ended 31 March 2006

	2006	2005	2004	2003	2002	2001	2000	1999
Manpower Equivalent (MPE)	47,012	47,472	49,072	53,440	60,468	62,844	65,640	64,051
Ave. No. of employees	49,957	49,490	51,939	57,014	61,460	62,175	65,157	63,779
Total ATKs (m)	23,106	22,565	21,859	21,328	22,848	25,196	25,840	25,114
ATKs per MPE (000)	491.5	475.3	445.4	399.1	377.9	400.9	393.7	392.1
ATKs per employee (000)	462.5	456	420.9	374.1	371.7	405.2	396.6	393.8

## BRANDS

The British Airways brand creates a certain expectation about the products and services that people will experience when travelling with the airline. The brand promise is a combination of both emotional and functional benefits, which manifest themselves through core customer propositions. These propositions are managed by the Brand and Customer Proposition Team, who liaise closely with customers and other parts of British Airways to ensure the consistency and competitiveness of the British Airways offering, while leading new product development initiatives.

The core British Airways propositions are managed within Product Management and are summarised below:

## FIRST

The airline introduced First class on-board its aircraft in 1978 and over the years has revolutionized the industry with innovative products and services. It was the first commercial airline to introduce a 'flat bed' in 1995.

In January 2001, the First cabin was re-designed by leading British designer Kelly Hoppen as part of a £20 million investment. This was part of British Airways' biggest ever programme of product improvements for premium passengers. This started a trend to associate with only the most exclusive brands and establishments in order to ensure that every aspect of the FIRST experience is of the highest standards. Wedgwood, Anya Hindmarch, Hulton Getty, and more recently Kiehl's have all developed unique and exclusive products for FIRST.

Customers travelling in FIRST can be assured of the highest standards of service and attention to detail at every stage of their journey. The exclusive treatment begins as they speed through check-in into the calm sanctuary of the FIRST lounge.

On board, the refined and spacious environment of the private cabin provides customers with the comfort, privacy and flexibility they need. Whether to settle down for a perfect nights sleep, enjoy the in-flight entertainment, or dine from the extensive a la carte menu. The cabin can also double up as a spacious private office allowing customers to conduct important business. Recent enhancements include the introduction of noise reducing headsets.

On the ground there are over 20 exclusive FIRST lounges worldwide, which include a Travel Spa at Heathrow and New York JFK offering massages and treatments. Selected airports also provide a pre-flight dining offering, which allows customers to enjoy a full meal in the lounge, thereby maximising their time to sleep on-board.

In December 2006 a new Turndown Service was introduced on selected flights. When the customer is ready to sleep they can ask the FIRST cabin crew to make up their bed. Customers can then drift off to sleep on a soft under-mattress with new pillows, 100% Egyptian cotton sheets, pillowcases and duvet cover, as well as velvet slippers and sleepwear.

## Club World

Club World has been developed following extensive customer research and sleep studies with ergonomic experts. Each armchair-like seat, complete with footstool, converts to a six-foot fully flat bed at the touch of a button and is designed to allow customers to choose how and when they relax, work, or sleep.

Prior to departure, customers can relax or enjoy refreshments in the innovative lounges. At London Heathrow customers can also visit the Travel Spa where a range of complimentary treatments and massages, designed to prepare customers for a comfortable and relaxed flight, are available.

In-flight, customers can enjoy a contemporary and personalised meal service featuring everything from light salads and snacks to four course dining with wines and champagne. For customers who want to relax there is an extensive choice of in flight entertainment featuring movies, documentaries, news, children's entertainment, and audio programmes. For those who wish to work there are in-flight laptop connections and phones. The Club World seat can move through a whole range of positions from 'fully upright' to 'fully flat'.

At London Heathrow and London Gatwick, there is an arrivals lounge where customers can take a shower, grab a bite to eat, or catch up on the news of the day.

In 2004 British Airways launched 'The Sleeper Service' on selected flights originating in the Middle East and the east coast of North America. The service is designed to minimise cabin noise and disturbance and provide a faster meal service, so that the customer can enjoy a longer, more comfortable night's sleep. Customers can choose to dine on the ground allowing them to board the aircraft 'ready for bed' (pre flight dining is only available on north America flights).

In November 2006, British Airways re-launched its Club World cabin and it is currently being rolled out across the airline's longhaul fleet. The new cabin allows customers to define their own space and what they want to do with it, combining elements from the home and business to create a sleek, yet comfortable environment. Key enhancements include a new wider, more comfortable seat, greater privacy, more storage, and a new cabin look and feel. The in-flight entertainment system has also been improved and now provides audio and video on demand. In addition to the cabin changes British Airways introduced a new concept called the Club Kitchen, enabling customers to help themselves to a wide range of snacks and drinks between the meal services.

## World Traveller Plus

World Traveller Plus, our newest cabin provides our customers with 20% more personal space than World Traveller.

The cabin offers customers a separate, quieter and smaller cabin with a maximum of five rows. At only 8 seats abreast on B747s and B777s and 6 abreast on B767s, the seating offers wider seats than our standard Economy product (World Traveller). The ergonomically designed seat also gives more legroom to stretch out than World Traveller, with a seat pitch of 38" compared to the industry economy standard of 31". It has a fully adjustable headrest, lumbar support, leg rest and a personal entertainment system in the seat back offering a wide choice of film & TV entertainment and 17 interactive games. It offers travellers the opportunity to work or relax in an informal environment with in-seat business amenities such as a laptop power point and an individual phone.

Extra benefits include double the normal economy checked baggage allowance, two pieces of 23kg each and for Executive Club members, additional BA Mileage awards.

World Traveller Plus is available on the entire longhaul fleet of 747s, B777s and B767s at both Heathrow and Gatwick.

## World Traveller

Most of our customers discover our extensive network in our popular World Traveller cabin. They can relax in the knowledge that everything will be taken care of, allowing them to simply sit back and enjoy what's on offer.

Our whole product offering has been developed with customer comfort in mind. Customers can benefit from our simple, easy to use check-in options such as online check-in or our check-in kiosks at the airport. During the flight, the ergonomically designed seats, complete with lumbar support, adjustable footrests and headrests give customers maximum comfort in our Economy cabin. Each seat offers personal seat-back video with a wide selection of film and TV entertainment and audio programmes, to help customers while away the hours. Friendly and professional cabin crew are always on hand, providing a complimentary bar service throughout the flight as well as tasty three course meals.

Families do enjoy additional benefits to make travelling with children easier. Families travelling with children (up to 11yrs) will be assigned seats together and enjoy priority boarding. As part of our service onboard, we provide a range of kid's products designed to make the time fly by. There are new 'Skyflyers' kids packs and activity books, family friendly meal options, hours of on-screen family entertainment and 'Early Check-in' at London Gatwick allowing families to check-in from 4pm the day before departure.

Customers can also enjoy the new shopping basket function on ba.com, which enables customers to book flights, car hire, and hotels in one go.

## Club Europe

Club Europe is our premium short haul service combining an efficient and smooth ground experience with the comfort and space on board to ensure customers can make the best use of their valuable time.

With flights to centrally located European airports, our schedule is designed to fit around the needs of our customers, with convenient departures providing the option to return home to family and friends at the end of the working day.

Customers can speed through the airport quicker than ever with our innovative check-in options. All of our European destinations offer online check-in plus at over 30 European airports customers can now print out their boarding cards at home or in the office, allowing them to bypass airport check in completely. Club Europe customers checking in at the airport can choose between dedicated check-in desks or self-service check-in. And where available customers departing from London can take advantage of a fast track channel to minimise queues through security.

To provide an escape from the busy airport environment, Club Europe customers also have access to over 80 lounges across Europe allowing them to catch up on work or relax in comfort until their flight departs. Once on board, the cabin features blankets, cushions and head rest covers in restful blue tones, coupled with wider contoured leather seats with extra legroom. Our highly trained cabin crew offer a selection of menu options, designed to suit the time of day and length of flight plus a full bar service.

## Euro Traveller

British Airways' Euro Traveller offers a package of products and services that represent value for money, with flights to over 70 European destinations and a schedule that ensures customers have the flexibility to choose flight times that are convenient for them.

We are committed to designing innovative products that make a difference to our customer's journey experience. For example our "Manage My Booking" tool on ba.com allows customers to access their booking at any time, providing the ability to amend update or upgrade their booking, or even check-in for their flight, saving valuable time at the airport. Self-service check-in kiosks are available for those customers wishing to check-in at the airport.



Complimentary newspapers are available at selected departure gates. Onboard customers can sit back and relax in ergonomically designed seats that maximise legroom and seat comfort. Customers can enjoy breakfast with fresh coffee and tea. For the rest of the day complimentary snacks and drinks are served appropriate to the time of day and length of flight.

We continue to offer every-day low fares across Europe, and have introduced one-way fares on the majority of our European routes, providing customers with even more flexibility when purchasing flights with British Airways.

## UK Domestic

British Airways offers a frequent schedule and competitive fares to centrally located airports across the United Kingdom and Channel Islands. We fly more people, more often, to more UK destinations than any other airline.

Customers travelling on full fare tickets can enjoy lounge access at key UK airports plus they can choose their seat at the time of booking. Full fare tickets can also be changed at any time prior to departure without any fee, providing customers with flexibility should their travel plans change.

Customers can take advantage of our innovative check-in options with online check-in at [ba.com](http://ba.com) and they can even print out their own boarding pass allowing them to speed through the airport and go straight to security. Alternatively they can check-in at the airport in less than a minute by using a self-service check-in kiosk.

Complimentary newspapers are available at the departure gate. Customers can enjoy a hot breakfast served on board with fresh coffee and tea. Complimentary snacks and a bar service is served throughout the rest of the day.

## Executive Club

The Executive Club is British Airways' frequent flyer loyalty programme for recognising our most valuable customers. For those who travel frequently, the Executive Club provides an enhanced service throughout the journey experience such as lounge access and priority check-in through the airport, as well as the ability to earn BA Miles for reward flights. The Executive Club also knows it is important to leverage our understanding of our customers to provide them with the services, products and communications which are appropriate and personalised to our customers' differing needs.

There are three tiers within the Executive Club:

**Blue** - benefits including the ability to collect BA Miles for reward flights when flying with BA or our partners, or even when not flying with our network of hotel, car rental, financial or service partners. BA Miles can be earned either as an individual or as part of a Household Account.

**Silver** - further benefits include access to airport lounges regardless of class of travel, priority check-in and boarding, and ability to earn BA Miles at a quicker rate.

**Gold** - loyalty is recognised further with access to our FIRST and Arrivals lounges, Gold members who achieve 2,500 Tier Points and 3,500 Tier Points also receive a free Upgrade for Two. Gold members also earn BA Miles at a quicker rate than Silver members.

Access to Silver and Gold membership comes from collecting Executive Club Tier Points, awarded when flying on eligible fares on British Airways and oneworld™ partner airline flights (excluding American Airlines' direct transatlantic flights between Europe and the Americas).

## DEPARTMENTAL ANALYSIS

### COMMERCIAL PLANNING

The fleet, network, and schedule are at the core of any airline.

Fleet Planning develops the fleet strategy for the company and determines when to acquire or dispose of aircraft ensuring that BA has the right fleet to meet its network requirements. The role of the Network Planning department is to develop BA's schedule to maximise network profitability and to plan the requisite infrastructure. This department identifies which routes and frequencies to fly, where to deploy the fleet, and then develops and manages the BA schedule to deliver this. Currently the shorthaul operation consists of more than 4,000 weekly flights, to over 60 destinations, using more than 120 aircraft. The longhaul operation consists of more than 1,000 weekly flights, to over 70 destinations, using more than 110 aircraft.

The group also ensures the next 18 months of schedules are developed so they will work within the current terminal and slot infrastructure. The team also identifies the need for additional future capacity to meet growth / service aspirations and works with / influences external agencies to delivery this. It also manages to airline's slot portfolio at all airports on the network.

### OPERATIONS

The Operations department covers all aspects of Resource Planning, Operations Planning, and In-flight Service.

Heathrow Customer Service manpower planning is responsible for determining manpower and equipment levels, and all planning activities for Heathrow terminals. This currently includes a focus on the resource planning activities for T5. Crew Planning areas are responsible for determining accurate Flight and Cabin crew manpower levels, and for planning the monthly rosters for all crew. Once complete, the planned rosters are handed over to Operations Control, where they are maintained on a day-to-day basis.

Operations Control is responsible for the day-to-day control of the BA operation, plus emergency and other contingency planning. The area includes a number of specialists who work together to cover all aspects of the 24 hour, 365 day a year operation – flight crew controllers, cabin crew controllers, operations controllers, customer service controllers and planners. The corporate contingency planning team is responsible for anticipating potential operational disruption, from the effects of bad weather to industrial action, and developing plans to handle it. It is also responsible for emergency planning for crisis situations, such as an aircraft accident.

The In-flight Service department manages 15,000 UK and International cabin crew of which 37% are part-time, worldwide catering operations, in-flight retail and service development.

### FLIGHT OPERATIONS

Apart from the technical side of the flying operations, responsibilities include the recruitment, training and standards of 3,000 pilots and the safety training and standards of 14,000 cabin crew. At our training facility, British Airways Flight Training we have nineteen simulators in which to train our pilots in both normal flight routines and in the handling of emergency procedures. Every pilot in British Airways must undergo simulator training and checking every six months for their entire flying career. BAFT also undertakes third party training for other air carriers earning over £9m per year of Third Party Revenue.

Within the department lies the expertise for Flight Planning and Air Traffic Control matters. The extensive experience of the company in its worldwide operations together with modern computer software enables British Airways to operate as efficiently as is possible. The Flight Operations Department is responsible for the airline's Fuel Policy, which is implemented on over 240,000 sectors and over 900,000 flying hours. The policy takes into account the economic, commercial and environmental effects of the company's fuel usage recognising that reducing fuel consumption provides benefits on several fronts.

### DISTRIBUTION AND MILEAGE PARTNERSHIPS

This department is responsible for ensuring that customers can book, pay and ticket a booking both through our website, contact centres and shops, as well as travel agents around the world.

This includes:

- o Managing our relationship with card companies such as American Express, Diners, MasterCard and VISA
- o Managing the contracts with infrastructure providers to link travel agents to BA globally
- o The role out of ticketing initiatives such as E-ticket

The department is also responsible for setting the company's distribution and booking channel strategy to deliver more bookings through ba.com and reducing the cost of sale to BA.

In addition all executive club members can earn miles when they spend money with BA partners including airlines, hotels, car companies and co-branded credit cards amongst others. This department ensures the provision of a wide range of excellent products for the executive club.

## MARKETING COMMUNICATIONS

This department owns the marketing communications, advertising and promotions process and is responsible for the manifestation of the BA brand in the marketplace measured in terms of image and attitudes towards BA across all customers, employees and key stakeholders.

Secondly the area provides the company with insights into customer needs, expectations, perceptions, satisfaction and behaviour. This is managed through a programme of continuous and ad hoc market research and data analysis.

Thirdly we bring the British Airways brand promise alive through design. This includes the British Airways corporate identity, uniform and product design.

## eCOMMERCE

eCommerce continues to expand rapidly in BA and will handle a growing proportion of sales and servicing activity for our customers over the coming years. Major projects are in progress to broaden the range of transactions that customers can do for themselves and to improve the quality and reliability of our online channels. During the last year ba.com has been completely overhauled applying state of the art web design. More customers are now able to check themselves in for their flight via ba.com long before they arrive at the airport. Also the booking process has been significantly enhanced. This work continues to make a significant contribution to the airline's cost reduction programme.

On an average working day ba.com is visited by over 400,000 people – approximately four times the number who are travelling on a BA plane anywhere in the world. Approximately 1300 bookings are made via ba.com per hour during a normal working day, resulting in approximately 30% of all journeys sold via the airline's website. Online Check-in proves to be a favourite amongst the customers. Today already over 15% of all passengers are checking themselves in online and it is expected that this number grows to 40% by March 2008.

Email continues to gain importance as a communications channel to customers, both for marketing and servicing purposes.

Our future vision sees continued growth and development of eCommerce opportunities – driven by the need to make BA simpler and easier for our customers to do business with.

## GLOBAL CONTACT CENTRES

British Airways has contact centres in all key global markets - this department is called contactBA. The aim of each contact centre is to deliver excellent service to our customers who prefer to use the phone.

### Sites

BA has a number of contact centres globally. The largest of these are in Newcastle, Manchester, Jacksonville, Bremen, Delhi and Johannesburg. There are currently over 1,300 people in cBA worldwide

### Customers & call mix

The types of calls can be broadly segmented as:

**Direct Sales** - offering customers flights, hotels, car hire and travel insurance

**Customer Support** – answering a range of enquiries from seat requests to assisting passengers in times of disruption

**Trade Support** - supporting the travel industry by providing technical advice and help. This team are focused on self service & supporting traveltrade.com - British Airways travel trade website

**Executive Club** - supports members of British Airways frequent flyer and loyalty programme

**Staff Travel** - support the airline's staff travel rebate scheme by providing a telephone booking service. The majority of the airline's staff now book their personal and duty travel online

**Automated Flight Information** - Also through its automated Flight Information line UK & NA customers are offered 24/7 access to real-time flight arrival and departure information

### Customer contact strategy

As our customers shift more & more of their booking & servicing activity to ba.com, cBA has seen its call volumes drop from 24m calls per annum in 2001 to under 10m in 2006. This has been driven by our customers' natural instinct to use online channels. This has enabled a 50% reduction in manpower and also has reduced the number of sites BA operates.

## THE TRITON PROGRAMME

In August 2000, British Airways signed a 10-year contract with Amadeus, a leading provider of systems in the travel industry. The scope of this relationship is far reaching and has resulted in the transfer to Amadeus of key British Airways systems for reservations, airport check-in, inventory control, flight planning, cargo and operations support.

Through this partnership, British Airways will gain access to industry leading systems, as well as significant functional and cost benefits. For example, for the reservations system which is operated and developed for the benefit of a broad community of carriers, this includes capabilities to support our emerging airline alliance requirements with facilities to service customer bookings and issue electronic tickets.

The first major milestone was to switch in July 2001 to using the Amadeus Fare Quotation system. This was followed by the successful transfer of the systems previously operated by British Airways for the services listed above from Heathrow to the Amadeus data centre near Munich in November 2001.

In February 2002, one of the largest programmes of system change ever undertaken by British Airways was completed with the simultaneous global switchover by all British Airways sales locations to the Amadeus system for reservations known as Altéa Reservations. In early 2005 British Airways completed another significant step with the successful implementation of Altéa Inventory, a new community inventory and seating system developed jointly by Amadeus with British Airways and QANTAS.

The final piece of the Altéa systems, Altéa Departure Control delivering a new community airport check-in system will be added following British Airways move to Terminal 5.

## REVENUE MANAGEMENT

The need to sell the right seats at the right price is common to all airlines. Those that do it best usually have a sophisticated inventory control system, have a higher yield per seat sold, and carry more passengers. British Airways Revenue Management department monitors, controls, and forecasts the sale of millions of seats daily to improve the airline's overall profitability. The reward of managing yield effectively (the amount airlines receive on average from each passenger for every kilometre flown) is greater profitability. Improving this amount by just one percentage point is worth an estimated £60million a year to British Airways, with the majority going straight to the bottom line.

Yield experts in Revenue Management control around 300,000 British Airways mainline flight sectors a year, with each flight typically split into at least 17 selling classes or yield bands. Revenue Management thus controls at least 6 million products on a daily basis. Using sophisticated systems, the department also monitors booking trends, adjusts fares and capacity across the world, and forecasts global booking requirements on every flight for up to a year before departure.

About half of British Airways premium passengers, travellers choosing First or Club, book in the last three weeks before travel, while low yield passengers book early around three quarters of them at least a month before departure. Revenue Management's role is to predict how many bookings will be late bookings. If they predict too few, an opportunity to earn extra profit is lost. Predict too many and there are likely to be empty seats on departure, as it may be too late to fill them. Even when a booking is made, it is frequently cancelled afterwards - so much so that, on a typical mid-summer Boeing 777 North Atlantic flight, the airline can sell every seat between three and four times over by the time the aircraft takes off. The risk of selling seats only once, when cancellation is a probability, is empty flights.

A complication is that an average of 10 per cent of passengers are no-shows; they do not turn up for the flight they have booked. To counter this, airlines overbook flights in certain markets in the expectation that a number of passengers will fail to honour their bookings. Should an airline get its overbooking profile wrong, it is required to pay passengers denied boarding compensation. Fortunately, records show that involuntary off-loading is the exception rather than the rule thanks to the department's expertise in this area, assisted by additional financial inducements to passengers should the need arise.

In addition to a sophisticated inventory system it is important to have a pricing structure that effectively segments the market to ensure we are offering the right mix of price and flexibility for each of our products. It is the role of Revenue Management to ensure that such a structure exists for all points on our network in every country worldwide, and that the fares are distributed effectively worldwide. These functions are co-ordinated through a revenue planning model jointly used by Revenue Management and Sales in planning flight set up, pricing and promotional activities for the next 12 months to ensure flights depart as full as possible with the best possible mix of passengers on board.

## THE AIRMILES TRAVEL COMPANY

AIRMILES launched in 1988 as one of the country's first customer loyalty programmes and in 2007 is the UK's most rewarding loyalty scheme.

Key Timings for AIRMILES:

- 1991 - British Airways introduced Airmiles as the reward currency for its frequent flyer programme, the British Airways Executive Club, on eligible business flights
- 1994 - Airmiles Travel Promotions Limited became a fully owned British Airways subsidiary
- October 2000 - British Airways introduced a new currency, BA Miles, to replace Airmiles as the currency for its Executive Club members
- December 2003 - Airmiles was re-launched to the full customer base, offering a wider range of travel destinations, together with the option of members using any combination of Airmiles and cash to purchase their travel

In its 18-year history, AIRMILES has seen considerable success in developing customer, staff and business-to-business loyalty programmes using Airmiles as the reward currency. AIRMILES is the UK's longest running loyalty programme and currently has over 8 million collectors.

Today, Airmiles are easy to earn through many collection partners, including Tesco, Shell, and Scottish & Southern Energy as well as all NatWest credit cards. Customers can also earn Airmiles online with over 100 retailers including johnlewis.com, play.com, Boden, and Heals. By simply clicking through to the retailer's site via [www.airmiles.co.uk](http://www.airmiles.co.uk), shoppers can earn up to one Airmile for every £1 spent. Customers can earn Airmiles even faster when using a NatWest credit card or AIRMILES MasterCard to pay for goods or services at other collection partners - enabling Airmiles to be earned *twice* on the same transaction. Booking travel is also a collection opportunity.

Airmiles can be exchanged for a wide variety of travel rewards, including flights on over 110 airlines, 25,000 world-wide hotels, city breaks, cruises, travel insurance, car-hire and brochure holidays from the UK's leading Tour Operators.

Customers can open an AIRMILES account by visiting [www.airmiles.co.uk](http://www.airmiles.co.uk) or by calling the AIRMILES travel centre on 0870 55 77 777. Alternatively, an AIRMILES account can be set up directly through a collection partner.

AIRMILES employs around 580 staff and is based on two sites: the head office is in Crawley near Gatwick and the Travel Centre is based in Birchwood, near Warrington.

## BRITISH AIRWAYS HOLIDAYS

British Airways Holidays is a wholly owned subsidiary of the airline. The business sells ground products (hotels, cars, transfers and sightseeing) to around 200,000 British Airways customers each year in over 80 countries around the world. The products are distributed through [ba.com](http://ba.com), British Airways Call Centres and in some markets through the travel trade. Annual turnover is over £70 million. Ground products are provided in almost all gateway locations that British Airways and their Alliance Partners fly to.

The business is a global leader for inbound holidays into the UK and British Airways Holidays is one of the largest providers of accommodation in London, with an excellent range of products and competitive pricing.

Additionally British Airways Holidays sells package holidays to key longhaul destinations such as Florida, the Caribbean, the Middle East, and the Indian Ocean and has a superlative range of hotels in its prestige programme. To find out more, select the "Flights and More" tab on [ba.com](http://ba.com).

## CORPORATE COMMUNICATIONS

Corporate Communications enhances, protects and manages the global reputation of British Airways and ensures that a wide range of audiences including staff, customers, shareholders, media and governments are aware of developments and issues involving the airline.

Corporate Communications operates on a 24 hour, seven day a week basis and responds to tens of thousands of media every year.

An internal communications team, part of Corporate Communications, produces BA News, a weekly newspaper available to more than 45,000 staff.

The team also manages content for the airline's Intranet, which is used to communicate to staff all around the business, including thousands of flight crew, cabin crew and staff working overseas. This is one of the key channels used in keeping a mobile workforce up-to-date with the latest news and policies.

Corporate Communications is based at the airline's Waterside headquarters near Heathrow airport. There is also a dedicated team in New York covering North America. A number of specialist communications agencies are employed to deliver the airlines' key messages to customers and media in more than 80 other countries where the airline operates.

## BRITISH AIRWAYS WORLD CARGO

British Airways is one of the top ten leading cargo airlines in the world and transports over 590,000 tonnes of freight, mail and courier traffic each year. British Airways World Cargo is a separate contribution centre and generated £498 million in turnover in the year to March 31, 2006. 89% of which was earned outside the UK.

In 2006 the carrier launched two new products: Constant Climate for temperature-sensitive freight and Prioritise for time-sensitive freight. To support these and other premium products, more than £15 million was invested in a new, purpose-built facility at Heathrow. BA World Cargo opened Premia in September 2006, on time and on budget.

Every day, the carrier transports a range of products for many businesses and industries all over the world, from fresh produce, biotechnology products, a vast range of electronic goods, spare parts for cars, ships and aircraft, textiles, and fashion goods to family pets relocating with their owners.

One of the carrier's greatest strengths is the British Airways network, spanning nearly 200 destinations in over 80 countries. To supplement this, BA World Cargo has developed a network that profitably meets the needs of its customers.

The carrier operates a scheduled longhaul freighter service that provides additional capacity, serving key destinations worldwide. The freighters not only increase flight frequency to key destinations but also offer the opportunity to accommodate requests for large or unusual airfreight.

BA World Cargo is growing its shorthaul freighter programme in Europe using wide body DHL freighters in response to customer demand. By January 2007, the schedule was delivering 45 weekly services to 11 European destinations.

The freighters, interline agreements with other airlines, and an extensive trucking network in key markets allow the carrier to connect to almost any city that it doesn't serve directly with the British Airways and BA World Cargo network.

At the heart of the BA World Cargo global network is Ascentis, one of the world's most advanced freight processing facilities, with capacity to handle 800,000 tonnes of cargo annually. It delivers consistently high operational performance, driven by leading edge technology and the commitment of more than 2,000 people across the network.

Freight is transported efficiently between cargo handling facilities and aircraft by drivers using an electronic tracking system that speedily processes the necessary information and directs them to the next location.

BA World Cargo has two other cargo handling facilities at Heathrow: Premia and the Perishables Handling Centre (PHC). At 72,000 square metres, Premia - where premium products that require special handling are processed - has three times the handling capacity of the building it replaced. The facility has allowed the carrier to take advantage of new and emerging product streams and to offer a range of bespoke premium services.

Every year, more than 85,000 tonnes of perishable goods - fruit, vegetables, fish and flowers - are processed through the PHC. The facility is operated by Salvesen's on behalf of BA World Cargo. The wide range of value-added services it offers for importers and major supermarket chains enables them to put fresh produce on their shelves the same day as the shipment arrived.

BA World Cargo's customers use its website [www.baworldcargo.com](http://www.baworldcargo.com) to track their freight and to generate bar codes for their consignments. Customers can also book online through Global Freight Exchange, which is now available in 35 countries. e-bookings for BA World Cargo in 2006 were up by 20 percent year on year.

BA World Cargo is a founder member of Cargo 2000 (C2K), an IATA interest group that is setting new standards for the air cargo industry. In 2006 the carrier extended its monitoring of the operational performance for participating forwarders' freight across its network and plans to publish key C2K metrics in 2007.

## GROUND OPERATIONS

Ground Operations consists of four key areas whose prime objective is to deliver a safe, secure ground operation with excellent customer service.

**Heathrow Ground Services** – Management of customer service and terminal operations at Heathrow.

**Gatwick, UK Regions and International Customer Service** - Management of ground operations at LGW and mainline UK regional airports plus operational compliance at all International airports.

**Ground Operations Compliance** – Management of regulatory requirements for safety and quality at airports worldwide.

**Terminal 5 Development** – Ensuring the Terminal 5 building will allow British Airways to deliver an efficient and effective operation.

## BRITISH AIRWAYS ENGINEERING

British Airways Engineering is a world leading aviation maintenance organisation providing full support for the aircraft fleets of British Airways and for the aircraft of a number of other customer airlines. It currently employs 5400 staff both in the UK and at stations overseas supporting British Airways' global network.

The organisation has a world-wide reputation for engineering excellence and its technical and logistics expertise supports airline operations on every continent, 365 days of the year, 24 hours a day. British Airways Engineering's core capabilities are centred on Boeing 747, 777 and 767 for longhaul operations, and Boeing 737, 757, 767 and the Airbus single aisle family for the shorthaul network. Fully equipped hangar facilities at the main operating hubs of London Heathrow and London Gatwick, and at Glasgow, are supported by workshops, technical and design services, and a comprehensive warehousing and logistics network. The organisation has also invested in three world class operations based in South Wales, dedicated to delivering Boeing 747 and 777 heavy maintenance and repair and overhaul of avionics and interiors equipment.

The extensive maintenance network extends overseas with some 60 British Airways Engineering 'line maintenance' stations established at airports around the globe. Again, these support British Airways and its subsidiaries together with a number of customer airlines. British Airways Engineering utilises a large network of top quality suppliers based around the world to complement the internal capabilities of the organisation.

In addition to its everyday task of ensuring the safety and operating reliability of aircraft through excellence in maintenance, British Airways Engineering continues to focus on the growing technical capability within the passenger cabin. World class design, delivery, and in-service support of new cabin products demonstrates that British Airways Engineering has a major role to play in helping to deliver on-board customer satisfaction.

In recent years, Engineering has undergone significant change as it continues to develop its expertise and enhance its efficiency. Constant focus by Engineering is helping maintain British Airways and its world-class service in an increasingly competitive global market.

## INFORMATION MANAGEMENT (Im)

Information Management (Im) is responsible for all IT across the British Airways Group and plays a fundamental role in shaping the future of the airline. As a full-service, network carrier committed to providing the right service to our customers, high performing IT and telecommunications systems, along with effective and simple processes, are vital to the running of the Group's business. Cost-effective deployment of technology, and using it effectively, is a critical skill in the airline industry and one that is enhancing British Airways' proposition, enabling our customers, and generating productivity.

Im's objectives are to:

1. Deliver a secure, robust and reliable worldwide IT Operation 24x7 at a reducing absolute cost;
2. Deliver IT projects to time, budget and specification, with a year-on-year productivity improvement;
3. Simplify BA processes by delivering efficient solutions implemented by business change capability.

2006 was another award-winning year for British Airways' IT with Im receiving the top award from Computing magazine for Outstanding Contribution to UK IT. This was a tremendous and indeed unique accolade for an entire IT department. The award was recognition and citation for the sustained 5 years of hard work and pivotal role IT has played in turning BA round since 9/11.

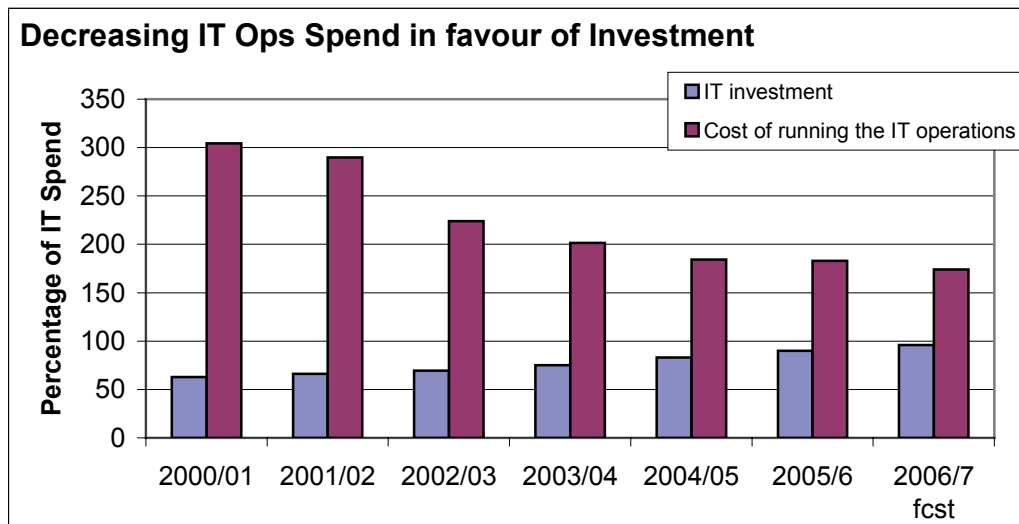


The following are examples of initiatives being undertaken by Im that serve to illustrate how the objectives for IT in British Airways are being met and also how Im is supporting British Airways' corporate objectives.

### IT OPERATIONS

Critical to the airline's 24 hour a day operation, IT Operations manages British Airways' IT infrastructure, including some of the Group's most critical systems.

Against a background of reduced costs and manpower, the airline's key systems have been increasingly reliable and available. In addition, a strong focus on reducing the cost of running the IT operation, coupled with the improved productivity and efficiency of the IT Delivery unit, has created the room for more investment in IT development.



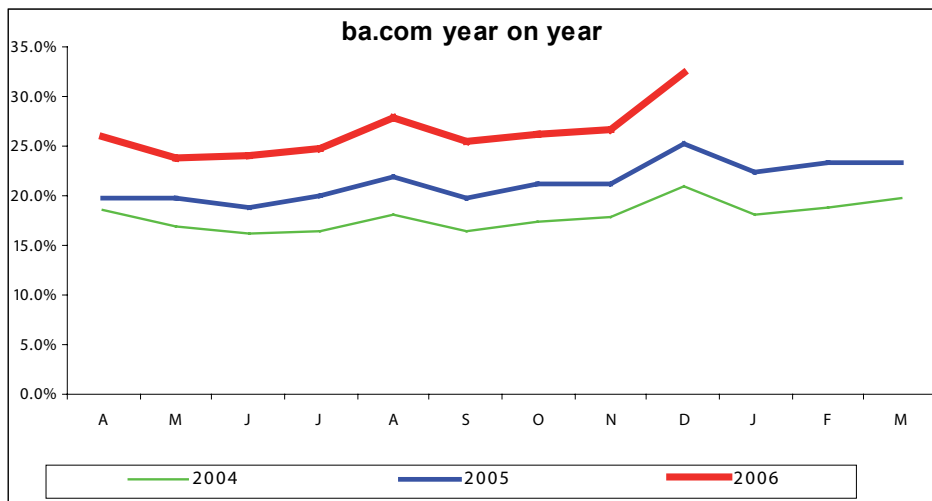
### CUSTOMER SELF SERVICE

Driving simplification of the airline's business processes through IT continues to be a core element of our IT strategy. The vision to make British Airways a company so easy to do business with that customers choose to serve themselves continues to drive our business processes and systems. The same principles are applied internally for employees through the Employee Self Service Programme.

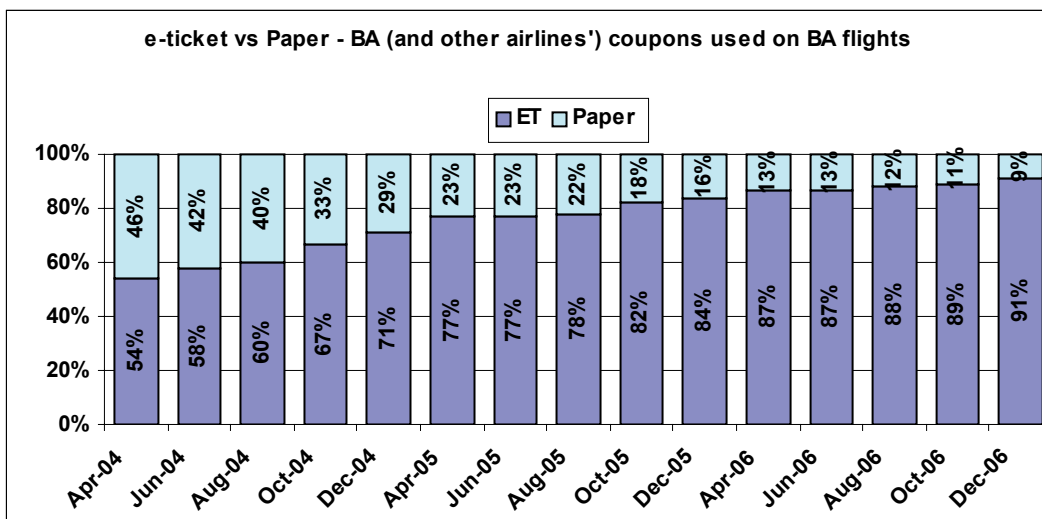
ba.com has recently been re-launched with a new look and feel. It continues to offer customers award winning functionality for buying tickets and managing bookings before travel. The fare-explorer booking engine is still a market leader after 5 years and puts the customer firmly in control, with easy access to BA's product and pricing, including the ability to trade up both cabin and ticket flexibility. With the introduction of the Shopping Basket feature, passengers are now also given the

opportunity, at the appropriate extra cost, to reserve hotels, hire cars, book day tours and theatre tickets and arrange transfers as part of their flight booking. One of the most popular recent developments is the ability to check-in and print your own boarding passes before arriving at the airport. Nearly 80% of all bookings made directly with BA are made using ba.com and over 70% of customers visit ba.com to service their booking before they fly. The technology has been designed in-house to optimise customer service and is highly scalable – being able to support 100% increases in traffic during promotional periods, for example.

Bookings through ba.com have recorded further steady growth and numbers of new bookings received now exceed 80,000 per week.

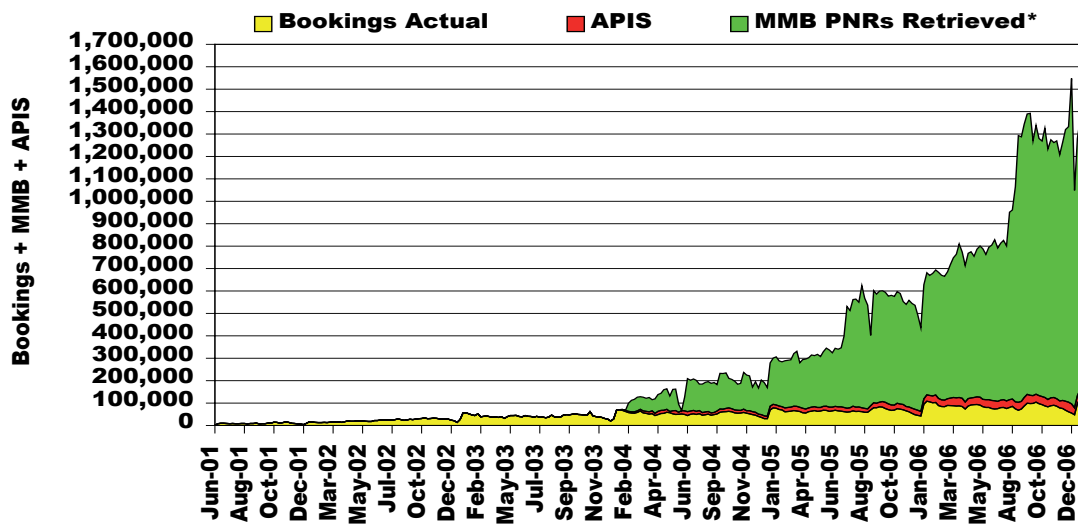


Another important element is the introduction of upgraded self-service check-in kiosks at key airports around the world. BA offer self-service check-in from 239 of their own kiosks in 36 airports, and 56 airport-owned kiosks, some of which are shared with other airlines, in a further 7 airports. British Airways is committed to moving to 100% eTicket, which delivers better customer service and reduces costs. 15% of our passengers' journeys contain other airlines in their bookings. However, interline e-ticketing agreements with over 20 other airlines (a number that will continue to grow) including our code share partners, means we are moving ever closer to our target.



Manage My Booking continues to be hugely popular, with ten times as many passengers accessing ba.com to use this facility than make a traditional booking in 2006





APIS – Advanced Passenger Information Service  
 MMB – Manage My Booking  
 PNR – Passenger Name Record

## EMPLOYEE SELF SERVICE

Employee Self Service (ESS) is a major programme aimed at reducing costs by making it easier and more effective for BA staff to carry out many of their daily administrative tasks online.

At the heart of Employee Self Service (ESS) is the exploitation of existing technology to deliver lasting business change and a growing self-service culture across the airline. Employee processes are being simplified and duplicate channels 'turned off'.

ESS provides everyone, from the CEO through to all staff - wherever they may be - with access to online processes. This gives all employees easy access to their applications from work or home, at a time that suits them, using a single secure password.

More than 98% of the airline's employees worldwide regularly use ESS for a range of personal administration and corporate transactions. These include online learning, checking or bidding for rosters, and getting answers to frequently asked questions on a wide range of topics from HR to IT.

The number of administration tasks that can only be performed online is growing. For example, employees organising travel for business or pleasure have to use online channels, with business travel authorisation also only given online.

Online self-service forms are replacing paper-based processes, including pay slips. Ordering goods and services is online with over 95% of transactions now being made and approved electronically.

The introduction of a new email service for frontline employees means everyone in the airline now has email. This development aims to simplify communication and administration channels, and helps toward everyone working as 'one team' in British Airways.

## SIMPLIFICATION - TECHNOLOGY and PROCESS

### IT AND BUSINESS CHANGE (IBC)

To deliver effective business change, IT projects must be integrated with changes to the customer proposition, airline processes and how people work. The IT and Business Change team - or IBC - in Im is responsible for designing the IT that BA needs to improve performance across the airline, and applies operations research, process and IT design skills to help business areas improve customer service and lower costs. IBC also develops and maintains the process and systems architecture and standards for the airline as a whole. An example is the introduction of LEAN methodology across BA which is a method of improving customer service whilst reducing cost by engaging and empowering our staff, enabling them to identify waste and find opportunities for working more effectively. Examples of major IBC projects include work with the T5 team on designing the new processes and IT required for the T5 move, and working with the commercial team on the ongoing expansion of ba.com services including online check-in. IBC also drives the highly successful Employee Self Service programme.

### IT for T5

The IT Programme for T5 is a vital element to ensure a successful move of the BA operation into Terminal 5. The programme will deliver new systems that underpin the changes in working practices that are required for the operation in T5. We plan to deliver the majority of the IT to support these changes within the next year.

In addition, much of the IT infrastructure (networks and equipment) will be ready for operational testing in March 2007 and will ensure the building is ready for opening in March 2008. These plans are well advanced and we are working closely with the British Airport Authority to ensure we meet this target.

As the above developments demonstrate, Im is enabling change in British Airways through innovative use of technology to reduce costs, removing complexity and driving business process change.